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AZ CORP COMMISSION
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Docket #(s): WS-04235A-13-0331

Arizona Corporation Commission

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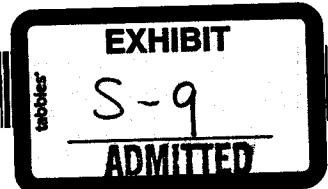
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Exhibit #: S-9, S-10, RUCCO-9,

Fallon-7, Nielson-18, A-8

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2015 NOV -5 P 2:25

SUSAN BITTER SMITH - CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

**STAFF'S NOTICE OF FILING
SETTLEMENT AGREEMENT**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Settlement Agreement
signed November 5, 2015 in the above docket.

RESPECTFULLY SUBMITTED this 5th day of November, 2015.

Wesley C. Van Cleve
Matthew Laudone
Attorneys, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of
the foregoing filed this 5th day of
November, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

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1 Copy of the foregoing mailed this
2 5th day of November, 2015, to:

3 Steve Wene, Esq.
4 MOYES SELLERS & HENDRICKS, LTD
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004
7 Attorneys for Utility Source, LLC

8 Daniel Pozefsky, Chief Counsel
9 RESIDENTIAL UTILITY CONSUMER OFFICE
10 1110 West Washington Street, Suite 220
11 Phoenix, Arizona 85007

12 Erik Nielsen
13 4680 North Alpine Drive
14 P.O. Box 16020
15 Bellemont, Arizona 86015

16 Terry Fallon
17 4561 Bellemont Springs Drive
18 Bellemont, Arizona 86015

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UTILITY SOURCE, LLC

PROPOSED SETTLEMENT AGREEMENT

DOCKET NO: WS-04235A-13-0331

NOVEMBER 5, 2015

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**PROPOSED SETTLEMENT AGREEMENT OF DOCKET NO.
DOCKET NO: WS-04235A-13-0331 FOR AN INCREASE IN ITS WATER AND
WASTEWATER RATES**

The purpose of this Settlement Agreement ("Agreement") is to resolve disputed issues related to Docket No. WS-04-04235A-13-0331 regarding Utility Source, L.L.C.'s ("Utility Source" or "Company") application for an increase in its water and wastewater rates. This Agreement is entered into by the following parties: (1) Company; (2) Arizona Corporation Commission ("Commission") Utilities Division ("Staff"); (3) Residential Utility Consumer Office ("RUCO"); (4) Erik Nielsen; and (5) Terry Fallon. These entities shall be referred to collectively as "Parties" or "Signatories;" a single entity shall be referred to individually as a "Party" or "Signatory."

I. RECITALS.

- 1.1 Utility Source filed the underlying rate application on September 27, 2013 for a test year ending on December 31, 2012. Staff found the application sufficient on October 24, 2013.
- 1.2 In July 2014, RUCO, Mr. Nielsen, and Mr. Fallon were granted intervention in the rate case. On February 17, 18, and 19, 2015, a full public hearing was convened. After post-hearing briefing, on August 24, 2015, the Recommended Opinion and Order ("ROO") was issued. On September 8, 2015, the Commission considered the ROO and comments by the public and the Parties and remanded the matter back to the administrative law judge for further consideration.
- 1.3 On September 15, 2015, Staff filed a Notice of Settlement Discussion. Settlement discussions were conducted among the parties thereafter. The settlement discussions were open, transparent, and inclusive of all parties to this Docket who desired to participate. All parties to this Docket were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate.
- 1.4 The terms of this Agreement are just, reasonable, fair, and in the public interest in that they, among other things, establish just and reasonable rates for Utility Source customers; promote the convenience, comfort and safety, and the preservation of health, of the employees and patrons of Utility Source; resolve the issues arising from this Docket; and avoid unnecessary litigation expense and delay.

- 1.5 The Signatories agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with any and all other necessary findings, and (2) approve the Agreement such that it and the rates contained herein may become effective the first billing cycle after the effective date of the order approving the Agreement.

TERMS AND CONDITIONS

II. WATER DIVISION REVENUE REQUIREMENT AND RATE INCREASE.

- 2.1 **Rate Base.** The Parties agree that the Company has a fair value rate base of \$1,979,887. The rate base increased from \$1,499,779 due to the inclusion of plant associated with the standpipe water distribution facility as proposed by Staff.
- 2.2 **Adjusted Test Year Revenues.** To mitigate the impact to its customers, Utility Source agreed to impute \$127,763 of revenue from the standpipe operation into the revenue requirement. Consequently, adjusted test year revenues are \$333,949.
- 2.3 **Rate of Return.** The Parties agreed to a 9.95% rate of return. The slight increase over the 9.8% rate of return proposed in the ROO was necessary to provide the Company sufficient revenue following the adjustments made to test year revenues and expenses.
- 2.4 **Gross Revenue Conversion Factor.** The Parties agree that for purposes of this case only Utility Source will forgo the recovery of income taxes as part of the current revenue requirement. Accordingly, the gross revenue conversion factor of 1.2681 fell to 1.0113 in this Agreement.
- 2.5 **Revenue Requirement.** Utility Source water division has a revenue requirement of \$428,723. This is an increase over adjusted test-year revenues of 28.38%. See Attachment A.
- 2.6 **Phase-In and Rate Design.** To mitigate the impact on customers, the Company will phase-in rates in three stages. The Company also agreed to forgo lost revenues resulting from the phase-in. The proposed rate design provides more revenue stability for the Company while the phase-in provision will promote rate change gradualism to the benefit of ratepayers. The phase-in rates are set forth in Attachment A.

- 2.7 **Bill Impact.** During the three phases, the typical residential $\frac{3}{4}$ -inch bill with a median usage for 3,500 gallons of water would increase from \$35.30 to \$45.60, then to \$51.37, and finally to \$57.27.

III. WASTEWATER DIVISION REVENUE REQUIREMENT AND RATE INCREASE.

- 3.1 **Rate Base.** The Parties agree that the Company has a fair value rate base of \$825,880, which is the same as proposed in the ROO.
- 3.2 **Adjusted Test Year Revenues.** The Parties agree that the Company's adjusted test year revenues are \$119,464.
- 3.3 **Rate of Return.** The Parties agreed to a 9.95% rate of return. The slight increase over the 9.8% rate of return proposed in the ROO was necessary to provide the Company sufficient revenue following the adjustments made to test year revenues and expenses.
- 3.4 **Gross Revenue Conversion Factor.** The Parties agree that for purposes of this case only Utility Source will forgo the recovery of income taxes as part of the current revenue requirement. Accordingly, the gross revenue conversion factor of 1.2009 fell to 1.0115 in this Agreement.
- 3.5 **Revenue Requirement.** Utility Source wastewater division has a revenue requirement of \$296,719. This is an increase over adjusted test-year revenues of 148.38%. *See Attachment B.* This is approximately 11% less than proposed in the ROO.
- 3.6 **Phase-In and Rate Design.** To mitigate the impact on customers, the Company will phase-in rates in three stages. The Company also agreed to forgo lost revenues resulting from the phase-in. The phase-in rates are set forth in Attachment B.
- 3.7 **Bill Impact.** During the three phases, the typical residential $\frac{3}{4}$ -inch bill with a median usage for 3,500 gallons of water would increase from \$20.44 to \$50.55, then to \$57.33, and finally to \$64.17.

IV. POST-DECISION COMPANY DUTIES

- 4.1 **Depreciation and Amortization.** The depreciation and amortization rates proposed by Staff shall be adopted until further order of the Commission. The approved depreciation rates are set forth in Attachments A & B.
- 4.2 **System Analysis.** The Company will file, within 90 days of the effective date of the Commission decision, documentation demonstrating that an engineering analysis has been conducted on the water system, in a manner acceptable to Staff, with any corrective action recommended from the analysis having occurred prior to filing that documentation.
- 4.3 **Filter Repair.** The Company will repair the mixed media filter at its wastewater treatment plant and file, within 90 days of the effective date of this Decision, documentation demonstrating that the mixed media filter has been repaired.
- 4.4 **Fence Installation.** The Company will install a security fence around Deep Well No. 2 and file, within 90 days of the effective date of the Commission decision, documentation that the security fence has been installed.
- 4.5 **CC&N Extension.** The Company shall file, within 120 days of the effective date of the Commission decision, an application with the Commission for approval to extend its Certificate of Convenience and Necessity over the mobile home park adjacent to its existing service territory, as recommended by Staff.
- 4.6 **Standpipe Sales Reports.** The Company shall file with Docket Control, as a compliance item in this docket, biannual standpipe sales volume reports, no later than September 31 and March 31 of each year, with the first report due no later than March 31, 2016.
- 4.7 **Subsequent Rate Case.** Utility Source agrees to file its next rate case by September 31, 2019, using a test year no later than December 31, 2018.
- 4.8 **Well Transfer.** Utility Source, LLC shall obtain Commission approval prior to any sale or transfer of Deep Well No. 4.
- 4.9 **Accounting.** The Company agrees to keep its accounting records in compliance with proper National Association of Regulatory Utility

Commissioners ("NARUC") accounting standards and the Commission's Rules.

V. COMMISSION EVALUATION OF PROPOSED SETTLEMENT.

- 5.1 All currently filed testimony and exhibits will be offered into the Commission's record as evidence.
- 5.2 The Signatories recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.
- 5.3 This Agreement will serve as a procedural device by which the Signatories will submit their proposed settlement of Utility Source's pending rate case, Docket No. WS-04235A-13-0331, to the Commission.
- 5.4 The Signatories recognize that the Commission will independently consider and evaluate the terms of this Agreement. If the Commission issues an order adopting all material terms of this Agreement, such action will constitute Commission approval of the Agreement. Thereafter, the Signatories will abide by the terms as approved by the Commission.
- 5.5 If the Commission fails to issue an order adopting all material terms of this Agreement, any or all of the Signatories may withdraw from this Agreement, and such Signatory or Signatories may pursue without prejudice their respective remedies at law. For purposes of this Agreement, whether a term is material will be left to the discretion of the Signatory choosing to withdraw from the Agreement.

VI. MISCELLANEOUS PROVISIONS.

- 6.1 To achieve consensus for settlement, Signatories are accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because this Agreement, as a whole, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.
- 6.2 No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

- 6.3 Neither this Agreement nor any of the positions taken in this Agreement by any of the Signatories may be referred to, cited, and/or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except to secure approval of this Agreement and enforce its terms.
- 6.4 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.
- 6.5 Each of the terms of this Agreement is in consideration of all other terms of this Agreement. Accordingly, the terms are not severable.
- 6.6 The Signatories shall make reasonable and good faith efforts necessary to obtain a Commission order approving this Agreement. The Signatories shall support and defend this Agreement before the Commission. Subject to Paragraph 5.4 above, if the Commission adopts an order approving all material terms of the Agreement, the Signatories will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.
- 6.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

DATED this 5th day of November, 2015.

ARIZONA CORPORATION COMMISSION

By *Mr. M. Brash*

Title *Director Utilities*

Date *11/5/15*

UTILITY SOURCE WATER COMPANY

By 

Title Managing member

Date 11-3-15

RESIDENTIAL UTILITY CONSUMER
OFFICE

By _____

Title _____

Date _____

ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By _____
Terry Fallon

Date _____

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

RESIDENTIAL UTILITY CONSUMER
OFFICE

By David Tenney

Title David Tenney

Date 11/2/15

ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By _____
Terry Fallon

Date _____

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

RESIDENTIAL UTILITY CONSUMER
OFFICE

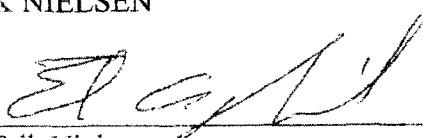
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ERIK NIELSEN

By


Erik Nielsen

Date

11/5/2015

TERRY FALLON

By

Terry Fallon

Date

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

RESIDENTIAL UTILITY CONSUMER
OFFICE

By _____

Title _____

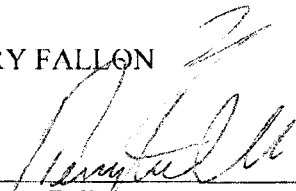
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ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By  _____
Terry Fallon

Date NOV. 5, 2015

Docket No. WS-04235A-13-0331

ATTACHMENT A

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Settlement Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	\$ 1,979,887
2		
3	Adjusted Operating Income	103,282
4		
5	Current Rate of Return	5.22%
6		
7	Required Operating Income	\$ 196,999
8		
9	Required Rate of Return	9.95%
10		
11	Operating Income Deficiency	\$ 93,716
12		
13	Gross Revenue Conversion Factor	1.0113
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 94,774
17		
18	Adjusted Test Year Revenues	\$ 333,949
19	Increase in Gross Revenue Revenue Requirement	\$ 94,774
20	Proposed Revenue Requirement	\$ 428,723
21	% Increase	28.38%

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Settlement Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 2,965,387	\$ 2,965,387
3	Less: Accumulated Depreciation	781,808	781,808
4			
5	Net Utility Plant in Service	\$ 2,183,579	\$ 2,183,579
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	294,745	294,745
11			
12	Accumulated Amortization of CIAC	(96,938)	(96,938)
13			
14	Customer Meter Deposits	5,885	5,885
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	\$ 1,979,887	\$ 1,979,887
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43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
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46	B-5		
47	E-1		
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Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Settlement Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 2,496,640	468,747	\$ 2,965,387
3				
4	Less:			
5	Accumulated			
6	Depreciation	726,406	55,402	781,808
7				
8				
9	Net Utility Plant			
10	in Service	\$ 1,770,234		\$ 2,183,579
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	294,745	-	294,745
18				
19	Accumulated Amortization of CIAC	(96,938)	-	(96,938)
20				
21	Customer Meter Deposits	5,885	0	5,885
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				
33				
34	Total	<u>\$ 1,566,542</u>		<u>\$ 1,979,887</u>

45 SUPPORTING SCHEDULES:
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RECAP SCHEDULES:
B-1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Line No.		Adjusted at end of Test Year	Proforma Adjustments			Settlement Adjusted at end of Test Year
			1	2	3	
			Plant-in-Service	Accumulated Depreciation	CIAC	
1	Gross Utility Plant in Service	\$ 2,496,640	468,747			\$ 2,965,387
2						
3						
4	Less:					
5	Accumulated Depreciation	726,406		55,402		781,808
6						
7						
8						
9	Net Utility Plant in Service	\$ 1,770,234	\$ 468,747	\$ (55,402)	\$ -	\$ 2,183,579
10						
11						
12	Less:					
13	Advances in Aid of Construction					
14						
15						
16	Contributions in Aid of Construction (CIAC)	294,745				294,745
17		(96,938)				(96,938)
18						
19	Accumulated Amort of CIAC	5,885				5,885
20						
21	Customer Meter Deposits					
22	Accumulated Deferred Income Taxes					
23						
24						
25	Plus:					
26	Unamortized Finance Charges					
27						
28	Prepayments					
29	Materials and Supplies					
30	Allowance for Cash Working Capital					
31						
32	Total	\$ 1,566,542	\$ 468,747	\$ (55,402)	\$ -	\$ 1,979,887
33						
34						
35						

RECAP SCHEDULES:
B-1

SUPPORTING SCHEDULES:
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Line No.		Plant-in-Service										Adjustments		D		E		Settlement	
		A		B		C		D		E		F		G		H		I	
		Remove Cost of Shallow Wells		Standpipe Allocation Per Settlement		Standpipe Allocation Per Settlement		Intentionally Left Blank		Intentionally Left Blank		Intentionally Left Blank		Settlement Adjusted Original Cost		Settlement Adjusted Original Cost		Settlement Adjusted Original Cost	
		Adjusted Original Cost		Standpipe Allocation Per Settlement		Standpipe Allocation Per Settlement		Intentionally Left Blank		Intentionally Left Blank		Intentionally Left Blank		Settlement Adjusted Original Cost		Settlement Adjusted Original Cost		Settlement Adjusted Original Cost	
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SUPPORTING SCHEDULES

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Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 202,743	\$ 127,765	\$ 330,508	\$ 94,774	\$ 425,282
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	5,261	(1,820)	3,441	-	3,441
5		<u>\$ 208,004</u>	<u>\$ 125,945</u>	<u>\$ 333,949</u>	<u>\$ 94,774</u>	<u>\$ 428,723</u>
6	Operating Expenses					
7	Salaries and Wages	\$ -	-	\$ -	-	\$ -
8	Purchased Water	-	-	-	-	-
9	Purchased Power	66,787	(526)	66,261	-	66,261
10	Fuel For Power Production	-	-	-	-	-
11	Chemicals	1,460	-	1,460	-	1,460
12	Materials and Supplies	12,257	-	12,257	-	12,257
13	Office Supplies and Expense	2,399	-	2,399	-	2,399
14	Contractual Services - Accounting	20,253	-	20,253	-	20,253
15	Contractual Services - Professional	9,651	-	9,651	-	9,651
16	Contractual Services - Maintenance	-	-	-	-	-
17	Contractual Services - Other	-	-	-	-	-
18	Water Testing	8,107	(7,733)	374	-	374
19	Rents	-	3,007	3,007	-	3,007
20	Transportation Expenses	-	1,500	1,500	-	1,500
21	Insurance - General Liability	2,186	-	2,186	-	2,186
22	Insurance - Health and Life	-	-	-	-	-
23	Reg. Comm. Exp. - Other	-	-	-	-	-
24	Reg. Comm. Exp. - Rate Case	10,000	6,667	16,667	-	16,667
25	Miscellaneous Expense	19,976	(7,969)	12,007	-	12,007
26	Bad Debt Expense	-	-	-	-	-
27	Depreciation and Amortization Expense	57,728	13,735	71,463	-	71,463
28	Taxes Other Than Income	-	-	-	-	-
29	Property Taxes	7,530	3,653	11,183	1,058	12,241
30	Income Tax	(2,064)	2,064	-	-	-
31	Total Operating Expenses	<u>\$ 216,269</u>	<u>\$ 14,398</u>	<u>\$ 230,667</u>	<u>\$ 1,058</u>	<u>\$ 231,725</u>
32	Operating Income	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>
33	Other Income (Expense)					
34	Interest Income	-	-	-	-	-
35	Other income	-	-	-	-	-
36	Interest Expense	-	-	-	-	-
37	Other Expense	-	-	-	-	-
38		-	-	-	-	-
39	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
40	Net Profit (Loss)	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>

SUPPORTING SCHEDULES:

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RECAP SCHEDULES:

A-1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 2.1
Witness: Bourassa

Line No.	Revenues	1	2	3	4	5	6	7
		Test Year Adjusted Results	Depreciation	Property Taxes	Rate Case Expense	Revenue Adjustment	Water Testing Expense	Auto Telephone Expense
1	Revenues							
2	Metered Water Revenues	\$ 202,743				\$ 127,765		
3	Unmetered Water Revenues	-						
4	Other Water Revenues	5,261				(1,820)		
5		\$ 208,004	\$ -	\$ -	\$ -	\$ 125,945	\$ -	\$ -
6	Operating Expenses							
7	Salaries and Wages	\$ -						
8	Purchased Power	66,787						
9	Fuel For Power Production	-						
10	Chemicals	1,460						
11	Materials and Supplies	12,257						
12	Office Supplies and Expense	2,399						
13	Contractual Services - Accounting	20,253						
14	Contractual Services - Professional	9,651						
15	Contractual Services - Maintenance	-						
16	Contractual Services - Other	-						
17	Water Testing	8,107				(7,733)		
18	Rents	-						
19	Transportation Expenses	-						
20	Insurance - General Liability	2,186						1,500
21	Insurance - Health and Life	-						
22	Reg. Comm. Exp. - Other	-						
23	Reg. Comm. Exp. - Rate Case	10,000			6,667			
24	Miscellaneous Expense	19,976						(3,250)
25	Bad Debt Expense	-						
26	Deprec. and Amort. Exp.	57,728	13,735					
27	Taxes Other Than Income	-						
28	Property Taxes	7,530		3,653				
29	Income Tax	(2,064)						
30		\$ 216,269	\$ 13,735	\$ 3,653	\$ 6,667	\$ -	\$ (7,733)	\$ (1,750)
31	Total Operating Expenses	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 125,945	\$ 7,733	\$ 1,750
32	Operating Income							
33	Other Income (Expense)							
34	Interest Income	-						
35	Other Income	-						
36	Interest Expense	-						
37	Other Expense	-						
38		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Total Other Income (Expense)	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 125,945	\$ 7,733	\$ 1,750
40	Net Profit (Loss)							
41		\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 125,945	\$ 7,733	\$ 1,750
42								
43								
44								

SUPPORTING SCHEDULES:
C-2
E-2

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		8	9	10	11	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues							
2	Metered Water Revenues					\$ 330,508	\$ 94,774	\$ 425,282
3	Unmetered Water Revenues					-	-	-
4	Other Water Revenues					3,441		3,441
5		\$ -	\$ -	\$ -	\$ -	\$ 333,949	\$ 94,774	\$ 428,723
6	Operating Expenses							
7	Salaries and Wages					\$ -	\$ -	\$ -
8	Purchased Water					-	-	-
9	Purchased Power			(526)		66,261		66,261
10	Fuel For Power Production					-	-	-
11	Chemicals					1,460		1,460
12	Materials and Supplies					12,257		12,257
13	Office Supplies and Expense					2,399		2,399
14	Contractual Services - Accounting					20,253		20,253
15	Contractual Services - Professional					9,651		9,651
16	Contractual Services - Maintenance					-	-	-
17	Contractual Services - Other					-	-	-
18	Water Testing					374		374
19	Rents		3,007			3,007		3,007
20	Transportation Expenses					1,500		1,500
21	Insurance - General Liability					2,186		2,186
22	Insurance - Health and Life					-	-	-
23	Reg. Comm. Exp. - Other					-	-	-
24	Reg. Comm. Exp. - Rate Case					16,667		16,667
25	Miscellaneous Expense	(2,353)				12,007		12,007
26	Bad Debt Expense					-	-	-
27	Deprec. and Amort. Exp.					71,463		71,463
28	Taxes Other Than Income					-	-	-
29	Property Taxes					11,183	1,058	12,241
30	Income Tax				2,064	-	-	-
31	Total Operating Expenses	\$ (2,353)	\$ 3,007	\$ (526)	\$ 2,064	\$ 230,667	\$ 1,058	\$ 231,725
32	Operating Income	\$ 2,353	\$ (3,007)	\$ 526	\$ (2,064)	\$ 103,282	\$ 93,716	\$ 196,999
33	Other Income (Expense)							
34	Interest Income					-	-	-
35	Other Income					-	-	-
36	Interest Expense					-	-	-
37	Other Expense					-	-	-
38						-	-	-
39	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	Net Profit (Loss)	\$ 2,353	\$ (3,007)	\$ 526	\$ (2,064)	\$ 103,282	\$ 93,716	\$ 196,999

RECAP SCHEDULES:
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SUPPORTING SCHEDULES:
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Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Settlement Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct.	Description	Adjusted Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4	No.	Description	Cost	Fully Depreciated	Cost	Rates	Expense
5	301	Organization Cost	-		-	0.00%	-
6	302	Franchise Cost	-		-	0.00%	-
7	303	Land and Land Rights	210,000	(210,000)	-	0.00%	-
8	304	Structures and Improvements	72,997		72,997	3.33%	2,431
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	1,708,209		1,708,209	3.33%	56,883
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	-		-	2.00%	-
14	310	Power Generation Equipment	89,125		89,125	5.00%	4,456
15	311	Electric Pumping Equipment	158,711	(158,711)	-	12.50%	-
16	320	Water Treatment Equipment	5,487		5,487	3.33%	183
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	435,529		435,529	2.22%	9,669
20	330.1	Storage tanks	-		-	2.22%	-
21	330.2	Pressure Tanks	-		-	5.00%	-
22	331	Trans. and Dist. Mains	161,632		161,632	2.00%	3,233
23	333	Services	86,250		86,250	3.33%	2,872
24	334	Meters	-		-	8.33%	-
25	335	Hydrants	34,500		34,500	2.00%	690
26	336	Backflow Prevention Devices	-		-	6.67%	-
27	339	Other Plant and Misc. Equip.	-		-	6.67%	-
28	340	Office Furniture and Fixtures	2,947		2,947	6.67%	197
29	340.1	Computers and Software	-		-	20.00%	-
30	341	Transportation Equipment	-		-	20.00%	-
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	-		-	5.00%	-
33	344	Laboratory Equipment	-		-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	-		-	10.00%	-
36	347	Miscellaneous Equipment	-		-	10.00%	-
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	\$ 2,965,387	\$ (368,711)	\$ 2,596,676		\$ 80,613
39							
40							
41		Less: Amortization of Contributions			Gross CIAC \$ 294,745	Amort. Rate 3.1045%	\$ (9,150)
42		Total Depreciation Expense					\$ 71,463
43							
44		Adjusted Test Year Depreciation Expense					57,728
45							
46		Increase (decrease) in Depreciation Expense					13,735
47							
48		Adjustment to Revenues and/or Expenses					\$ 13,735
49							
50		<u>SUPPORTING SCHEDULE</u>					
51		B-2, page 3					

*Fully Depreciated

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Settlement Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 333,949	\$ 333,949
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	667,898	667,898
4	Company Recommended Revenue	333,949	428,723
5	Subtotal (Line 4 + Line 5)	1,001,847	1,096,622
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	333,949	365,541
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	667,898	731,081
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	667,898	731,081
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	123,561	135,250
15	Composite Property Tax Rate - Obtained from ADOR	9.0503%	9.0503%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 11,183	\$ 12,241
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 11,183	
19	Test Year Property Taxes	\$ 7,530	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ 3,653	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 12,241
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 11,183
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 1,058
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 1,058
27	Increase in Revenue Requirement		\$ 94,774
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.11620%
29			
30			
31			
32			
33			
34			
35			

Utility Source, LLC - Water Division - Phase 1
Revenue Breakdown Summary
Proposed Rates

Exhibit
Settlement Schedule H-2
Page 1
Witness: Bourassa

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch	Residential	\$ 131,835	\$ 37,026	\$ 18,262	\$ 7,777	\$ 194,900	\$ 194,900
3/4 Inch	Commercial	\$ 411	\$ 102	\$ 10	\$ -	\$ 523	\$ 523
2 Inch	Commercial	\$ 9,857	\$ 11,080	\$ 14,417	\$ -	\$ 35,353	\$ 35,353
2 Inch	Irrigation	\$ 3,286	\$ -	\$ -	\$ -	\$ 3,286	\$ 3,286
Construction/Bulk		\$ 411	\$ 5,941	\$ -	\$ -	\$ 6,352	\$ 6,352
Standpipe		\$ -	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS		\$ 145,799	\$ 181,911	\$ 32,689	\$ 7,777	\$ 368,176	\$ 368,176
Percent of Total		39.60%	49.41%	8.88%	2.11%	100.00%	
Cumulative %		39.60%	89.01%	97.89%	100.00%		

	Amount	% of Revenues
Monthly Minimum Revenues	\$ 145,799	39.60%
<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 37,127	10.08%
2nd Lowest Commodity Rate	\$ 29,352	7.97%
2nd Highest Commodity Rate	\$ 22,194	6.03%
Highest Commodity rate	\$ 133,704	36.32%
Subtotal Commodity Revenues	\$ 222,377	60.40%
Total Revenues	\$ 368,176	100.00%

Utility Source, LLC - Water Division - Phase 2
Revenue Breakdown Summary
Proposed Rates

Exhibit
Settlement Schedule H-2
Page 2
Witness: Bourassa

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch	Residential	\$ 143,949	\$ 45,570	\$ 20,753	\$ 8,641	\$ 218,913	\$ 218,913
3/4 Inch	Commercial	\$ 448	\$ 116	\$ 11	\$ -	\$ 575	\$ 575
2 Inch	Commercial	\$ 10,763	\$ 12,591	\$ 16,019	\$ -	\$ 39,372	\$ 39,372
2 Inch	Irrigation	\$ 3,588	\$ -	\$ -	\$ -	\$ 3,588	\$ 3,588
Construction/Bulk		\$ 448	\$ 5,941	\$ -	\$ -	\$ 6,389	\$ 6,389
Standpipe		\$ -	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS		\$ 159,196	\$ 191,980	\$ 36,782	\$ 8,641	\$ 396,600	\$ 396,600
Percent of Total		40.14%	48.41%	9.27%	2.18%	100.00%	
Cumulative %		40.14%	88.55%	97.82%	100.00%		

	Amount	% of Revenues
Monthly Minimum Revenues	\$ 159,196	40.14%

<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 45,686	11.52%
2nd Lowest Commodity Rate	\$ 33,355	8.41%
2nd Highest Commodity Rate	\$ 24,659	6.22%
Highest Commodity rate	\$ 133,704	33.71%
Subtotal Commodity Revenues	\$ 237,404	59.86%
Total Revenues	\$ 396,600	100.00%

Utility Source, LLC - Water Division - Phase 3
Revenue Breakdown Summary
Proposed Rates

Exhibit
Schedule H-2
Page 3
Witness: Bourassa

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch Residential	\$	159,271	\$ 51,836	\$ 22,579	\$ 9,275	\$ 242,960	\$ 242,960
3/4 Inch Commercial	\$	496	\$ 126	\$ 12	\$ -	\$ 634	\$ 634
2 Inch Commercial	\$	11,908	\$ 13,699	\$ 17,193	\$ -	\$ 42,800	\$ 42,800
2 Inch Irrigation	\$	3,969	\$ -	\$ -	\$ -	\$ 3,969	\$ 3,969
Construction/Bulk	\$	496	\$ 5,941	\$ -	\$ -	\$ 6,437	\$ 6,437
Standpipe	\$	-	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS	\$	176,140	\$ 199,364	\$ 39,784	\$ 9,275	\$ 424,563	\$ 424,563
Percent of Total		41.49%	46.96%	9.37%	2.18%	100.00%	
Cummulative %		41.49%	88.44%	97.82%	100.00%		

	<u>Amount</u>	<u>% of Revenues</u>
<u>Monthly Minimum Revenues</u>	\$ 176,140	41.49%

<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 51,962	12.24%
2nd Lowest Commodity Rate	\$ 36,290	8.55%
2nd Highest Commodity Rate	\$ 26,468	6.23%
Highest Commodity rate	\$ 133,704	31.49%
Subtotal Commodity Revenues	\$ 248,423	58.51%

Total Revenues	\$ 424,563	100.00%
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Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Settlement Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates	
1	<u>Meter Size (All Classes):</u>					
2	5/8x3/4 Inch	\$ 18.50	\$ 34.23	\$ 37.37	\$ 41.35	
2	3/4 Inch	18.50	34.23	37.37	41.35	
3	1 Inch	46.50	85.56	93.43	103.37	
4	1 1/2 Inch	92.50	171.13	186.85	206.74	
5	2 inch	148.00	273.80	298.96	330.78	
6	3 inch	296.00	547.60	597.92	661.56	
7	4 inch	462.50	855.63	934.25	1,033.69	
8	6 inch	925.00	1,711.25	1,868.50	2,067.38	
9						
10						
11						
12	<u>Gallons In Minimum (All Classes)</u>					
13						
14			(Per 1,000 gallons)			
15			Present	Phase 1 Proposed	Phase 2 Proposed	Phase 3 Proposed
16	<u>Commodity Rates</u>	<u>Block</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
17						
18	5/8x3/4 Inch (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
19		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
20		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
21						
22	3/4 Inch Meter (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
23		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
24		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
25						
26	1 Inch Meter (Residential, Commercial)	1 gallons to 27,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
27		over 27,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
28						
29	1.5 inch Meter (Residential, Commercial)	Over Minimum up to 57,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
30		Over 57,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
31						
32	2 Inch Meter (Residential, Commercial)	1 gallons to 94,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
33		over 94,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
34						
35	3 Inch Meter (Residential, Commercial)	1 gallons to 195,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
36		over 195,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
37						
38						
39						
40	NT = No Tariff					
41						

Utility Source, LLC - Water Division - Phase 3
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Settlement Schedule H-3
Page 2

Line No.			(Per 1,000 gallons)			
			Present	Phase 1 Proposed	Phase 2 Proposed	Phase 3 Proposed
			Rate	Rate	Rate	Rate
2						
3	<u>Commodity Rates</u>	<u>Block</u>				
4	4 Inch Meter (Residential, Commercial)	1 gallons to 309,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
5		over 309,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
6						
7	6 Inch Meter (Residential, Commercial)	1 gallons to 615,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
8		over 615,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
9						
10	Irrigation Meters	All gallons	\$ 9.26	\$ 5.50	\$ 6.25	\$ 6.80
11						
12	Standpipe or Bulk	All gallons	\$ 10.35	\$ 18.86	\$ 18.86	\$ 18.86
13						
14	Construction	All gallons	\$ 10.35	\$ 18.86	\$ 18.86	\$ 18.86
15						
16						
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Docket No. WS-04235A-13-0331

ATTACHMENT B

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Settlement Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	\$	825,880
2			
3	Adjusted Operating Income		(93,063)
4			
5	Current Rate of Return		-11.27%
6			
7	Required Operating Income	\$	82,175
8			
9	Required Rate of Return		9.95%
10			
11	Operating Income Deficiency	\$	175,238
12			
13	Gross Revenue Conversion Factor		1.0115
14			
15	Increase in Gross Revenue		
16	Requirement	\$	177,255
17			
18	Adjusted Test Year Revenues	\$	119,464
19	Increase in Gross Revenue Revenue Requirement	\$	177,255
20	Proposed Revenue Requirement	\$	296,719
21	% Increase		148.38%

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Final Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 1,397,271	\$ 1,397,271
3	Less: Accumulated Depreciation	455,064	455,064
4			
5	Net Utility Plant in Service	\$ 942,207	\$ 942,207
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	197,973	197,973
11			
12	Accumulated Amortization of CIAC	(86,711)	(86,711)
13			
14	Customer Meter Deposits	5,065	5,065
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	\$ 825,880	\$ 825,880
29			
30			
31			
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43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
45	B-3		
46	B-5		
47	E-1		
48			
49			
50			
51			
52			

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Settlement Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 1,397,271	-	\$ 1,397,271
3				
4	Less:			
5	Accumulated			
6	Depreciation	455,064	0	455,064
7				
8				
9	Net Utility Plant			
10	in Service	\$ 942,207		\$ 942,207
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	197,973	-	197,973
18				
19	Accumulated Amortization of CIAC	(86,711)	-	(86,711)
20				
21	Customer Meter Deposits	-	5,065	5,065
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				-
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	\$ 830,945		\$ 825,880

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SUPPORTING SCHEDULES:
B-2, pages 2
E-1

RECAP SCHEDULES:
B-1

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues					
2	Flat Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
3	Unmetered Water Revenues	116,023	-	116,023	177,255	293,278
4	Other Water Revenues	5,261	(1,820)	3,441		3,441
5		<u>\$ 121,284</u>	<u>\$ (1,820)</u>	<u>\$ 119,464</u>	<u>\$ 177,255</u>	<u>\$ 296,719</u>
6	Operating Expenses					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Water	-	-	-		-
9	Purchased Power	26,213	(207)	26,006		26,006
10	Sludge Removal	12,659	-	12,659		12,659
11	Chemicals	5,400	-	5,400		5,400
12	Materials and Supplies	7,187	-	7,187		7,187
13	Office Supplies and Expense	2,446	-	2,446		2,446
14	Contractual Services - Accounting	20,135	-	20,135		20,135
15	Contractual Services - Professional	1,920	-	1,920		1,920
16	Contractual Services - Maintenance	-	-	-		-
17	Contractual Services - Other	46,650	-	46,650		46,650
18	Water Testing	5,669	8,858	14,527		14,527
19	Rents	-	1,742	1,742		1,742
20	Transportation Expenses	3,250	(1,750)	1,500		1,500
21	Insurance - General Liability	2,186	-	2,186		2,186
22	Insurance - Health and Life	-	-	-		-
23	Reg. Comm. Exp. - Other	-	-	-		-
24	Reg. Comm. Exp. - Rate Case	10,000	6,667	16,667		16,667
25	Miscellaneous Expense	13,152	(9,511)	3,641		3,641
26	Bad Debt Expense	-	-	-		-
27	Depreciation and Amortization Expense	45,744	48	45,791		45,791
28	Taxes Other Than Income	-	-	-		-
29	Property Taxes	4,476	(405)	4,071	2,017	6,088
30	Income Tax	(13,545)	13,545	-	-	-
31						
32	Total Operating Expenses	<u>\$ 193,541</u>	<u>\$ 18,986</u>	<u>\$ 212,527</u>	<u>\$ 2,017</u>	<u>\$ 214,544</u>
33	Operating Income	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ (93,063)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>
34	Other Income (Expense)					
35	Interest Income	-	-	-		-
36	Other income	-	-	-		-
37	Interest Expense	-	-	-		-
38	Other Expense	-	-	-		-
39						
40	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
41	Net Profit (Loss)	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ (93,063)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>
42						
43	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
44	C-1, page 2				A-1	
45						
46						

Line No.	1	2	3	4	5	6	7
	Test Year Adjusted Results	Property Taxes	Rate Case Expense	Revenue Adjustment	Water Testing	Misc (Auto) Expense	Telephone Expense
1 Revenues							
2 Flat Rate Revenues	116,023						
3 Measured Revenues	5,281			(1,820)			
4 Other Water Revenues	\$ 121,284	\$ -	\$ -	\$ (1,820)	\$ -	\$ -	\$ -
5							
6 Operating Expenses							
7 Salaries and Wages	-						
8 Purchased Water	26,213						
9 Purchased Power	12,659						
10 Sludge Removal	5,400						
11 Chemicals	7,187						
12 Materials and Supplies	2,446						
13 Office Supplies and Expense	20,135						
14 Contractual Services - Accounting	1,920						
15 Contractual Services - Professional	-						
16 Contractual Services - Maintenance	46,650				8,858		
17 Contractual Services - Other	5,659						
18 Water Testing	-						
19 Rents	3,250						
20 Transportation Expenses	2,186					(1,750)	
21 Insurance - General Liability	-						
22 Insurance - Health and Life	-						
23 Reg. Comm. Exp. - Other	-						
24 Reg. Comm. Exp. - Rate Case	10,000		6,667				
25 Miscellaneous Expense	13,152						
26 Bad Debt Expense	-						
27 Deprec. and Amort. Exp.	46,744	48					(2,366)
28 Taxes Other Than Income	-						
29 Property Taxes	4,476						
30 Income Tax	(13,545)	(405)					
31							
32 Total Operating Expenses	\$ 193,341	\$ 48	\$ (405)	\$ 6,667	\$ 8,858	\$ (1,750)	\$ (2,366)
33 Operating Income	\$ (72,257)	\$ (48)	\$ 405	\$ (6,667)	\$ (8,858)	\$ 1,750	\$ 2,366
34 Other Income (Expense)							
35 Interest Income	-						
36 Other Income	-						
37 Interest Expense	-						
38 Other Expense	-						
39							
40 Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41 Net Profit (Loss)	\$ (72,257)	\$ (48)	\$ 405	\$ (6,667)	\$ (8,858)	\$ 1,750	\$ 2,366
42							
43 SUPPORTING SCHEDULES:							
44 C-2							
45 E-2							

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		8	9	10	11	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues							
2	Fat Rate Revenues					\$ 116,023	177,255	\$ 293,278
3	Measured Revenues					3,441		3,441
4	Other Water Revenues					\$ 119,464	177,255	\$ 296,719
5								
6	Operating Expenses							
7	Salaries and Wages							
8	Purchased Water							
9	Purchased Power	(207)				26,006		26,006
10	Sludge Removal					12,659		12,659
11	Chemicals					5,400		5,400
12	Materials and Supplies					7,187		7,187
13	Office Supplies and Expense					2,446		2,446
14	Contractual Services - Accounting					20,135		20,135
15	Contractual Services - Professional					1,920		1,920
16	Contractual Services - Maintenance							
17	Contractual Services - Other					46,650		46,650
18	Water Testing					14,527		14,527
19	Rents			1,742		1,742		1,742
20	Transportation Expenses					1,500		1,500
21	Insurance - General Liability					2,186		2,186
22	Insurance - Health and Life							
23	Reg. Comm. Exp. - Other					16,667		16,667
24	Reg. Comm. Exp. - Rate Case					3,641		3,641
25	Miscellaneous Expense							
26	Bad Debt Expense			(7,145)				
27	Deprec. and Amort. Exp.					45,791		45,791
28	Taxes Other Than Income							
29	Property Taxes					4,071	2,017	6,088
30	Income Tax				13,545			
31								
32	Total Operating Expenses	(207)	1,742	(7,145)	13,545	212,527	2,017	214,544
33	Operating Income	207	(1,742)	7,145	(13,545)	(93,063)	175,238	82,175
34	Other Income (Expense)							
35	Interest Income							
36	Other Income							
37	Interest Expense							
38	Other Expense							
39								
40	Total Other Income (Expense)							
41	Net Profit (Loss)	207	(1,742)	7,145	(13,545)	(93,063)	175,238	82,175
42								

SUPPORTING SCHEDULES:

C-2
E-2

RECAP SCHEDULES:
C-1, page 1

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Settlement Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct.	Description	Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	351	Organization Cost	-	-	-	0.00%	-
6	352	Franchise Cost	-	-	-	0.00%	-
7	353	Land and Land Rights	105,000	(105,000)	-	0.00%	-
8	354	Structures & Improvements	56,350	-	56,350	3.33%	1,876
9	355	Power Generation Equipment	2,879	-	2,879	5.00%	144
10	360	Collection Sewers - Force	-	-	-	2.00%	-
11	361	Collection Sewers - Gravity	260,553	-	260,553	2.00%	5,211
12	362	Special Collecting Structures	-	-	-	2.00%	-
13	363	Services to Customers	60,375	-	60,375	2.00%	1,208
14	364	Flow Measuring Devices	-	-	-	10.00%	-
15	365	Flow Measuring Installations	-	-	-	10.00%	-
16	366	Reuse Services	3,450	-	3,450	2.00%	69
17	367	Reuse Meters and Meter Installations	-	-	-	8.33%	-
18	370	Receiving Wells	-	-	-	3.57%	-
19	371	Pumping Equipment	-	-	-	10.00%	-
20	374	Reuse Distribution Reservoirs	-	-	-	2.50%	-
21	375	Reuse Transmission and Distribution	-	-	-	2.00%	-
22	380	Treatment & Disposal Equipment	903,992	-	903,992	5.00%	45,200
23	381	Plant Sewers	-	-	-	5.00%	-
24	382	Outfall Sewer Lines	-	-	-	3.33%	-
25	389	Other Plant & Misc Equipment	-	-	-	6.67%	-
26	390	Office Furniture & Equipment	4,251	-	4,251	6.67%	284
27	390.1	Computers & Software	421	-	421	20.00%	84
28	391	Transportation Equipment	-	-	-	20.00%	-
29	392	Stores Equipment	-	-	-	4.00%	-
30	393	Tools, Shop & Garage Equipment	-	-	-	10.00%	-
31	394	Laboratory Equipment	-	-	-	10.00%	-
32	395	Power Operated Equipment	-	-	-	5.00%	-
33	396	Communication Equipment	-	-	-	10.00%	-
34	397	Miscellaneous Equipment	-	-	-	10.00%	-
35	398	Other Tangible Plant	-	-	-	10.00%	-
36							
37							
38							
39		TOTALS	\$ 1,397,271	\$ (105,000)	\$ 1,292,271	10.00%	\$ 54,075
40							
41							
42		Less: Amortization of Contributions			Gross CIAC	Amort. Rate	
43		Total Depreciation Expense			\$ 197,973	4.1845%	\$ (8,284)
44							\$ 45,791
45		Adjusted Test Year Depreciation Expense					45,744
46							
47		Increase (decrease) in Depreciation Expense					48
48							
49		Adjustment to Revenues and/or Expenses					\$ 48
50							
51		SUPPORTING SCHEDULE					
52		B-2, page 3					

*Fully Depreciated

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Settlement Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line		Test Year	Company
No.	DESCRIPTION	as adjusted	Recommended
1	Company Adjusted Test Year Revenues	\$ 119,464	\$ 119,464
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	238,928	238,928
4	Company Recommended Revenue	119,464	296,719
5	Subtotal (Line 4 + Line 5)	358,391	535,646
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	119,464	178,549
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	238,928	357,098
10	Plus: 10% of CWIP (Intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	421	421
12	Full Cash Value (Line 9 + Line 10 - Line 11)	238,507	356,677
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	44,124	65,985
15	Composite Property Tax Rate - Obtained from ADOR	9.2262%	9.2262%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,071	\$ 6,088
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 4,071	
19	Adjusted Test Year Property Taxes	\$ 4,476	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (405)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 6,088
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 4,071
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 2,017
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 2,017
27	Increase in Revenue Requirement		\$ 177,255
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.13789%
29			
30			
31			
32			
33			
34			
35			

Utility Source, LLC - Wastewater Division - Phase 2
Revenue Breakdown Summary
Proposed Rates

Settlement Schedule
Page 1
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch	Residential	\$ 142,524	\$ 61,428	\$ -	\$ -	\$ 203,952	\$ 203,952
3/4 Inch	Commercial	\$ 444	\$ 76	\$ -	\$ -	\$ 520	\$ 520
2 Inch	Commercial	\$ 10,656	\$ 15,712	\$ -	\$ -	\$ 26,368	\$ 26,368
2 Inch	Irrigation						
TOTALS		\$ 153,624	\$ 77,216	\$ -	\$ -	\$ 230,840	\$ 230,840
Percent of Total		66.55%	33.45%	0.00%	0.00%	100.00%	
Cumulative %		66.55%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division - Phase 2
Revenue Breakdown Summary
Proposed Rates

Settlement Schedule
Page 2
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch	Residential	\$ 161,784	\$ 69,489	\$ -	\$ -	\$ 231,273	\$ 231,273
3/4 Inch	Commercial	\$ 504	\$ 86	\$ -	\$ -	\$ 590	\$ 590
2 Inch	Commercial	\$ 12,096	\$ 17,774	\$ -	\$ -	\$ 29,870	\$ 29,870
2 Inch	Irrigation						
TOTALS		\$ 174,384	\$ 87,348	\$ -	\$ -	\$ 261,732	\$ 261,732
Percent of Total		66.63%	33.37%	0.00%	0.00%	100.00%	
Cumulative %		66.63%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division - Phase 3
Revenue Breakdown Summary
Proposed Rates

Settlement Schedule
Page 3
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch	Residential	\$ 181,044	\$ 77,828	\$ -	\$ -	\$ 258,872	\$ 258,872
3/4 Inch	Commercial	\$ 564	\$ 96	\$ -	\$ -	\$ 660	\$ 660
2 Inch	Commercial	\$ 13,536	\$ 19,907	\$ -	\$ -	\$ 33,443	\$ 33,443
2 Inch	Irrigation						
TOTALS		\$ 195,144	\$ 97,830	\$ -	\$ -	\$ 292,974	\$ 292,974
Percent of Total		66.61%	33.39%	0.00%	0.00%	100.00%	
Cumulative %		66.61%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-3
Page 1
Witness: Bourassa

Line No.	Customer Classification and Meter Size (Residential, Commercial)	Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates
1	Monthly Usage Charge for:				
2	5/8 x 3/4 Inch	\$ -	\$ 37.00	\$ 42.00	\$ 47.00
3	3/4 Inch	-	37.00	42.00	47.00
4	1 Inch	-	92.50	105.00	117.50
5	1 1/2 Inch	-	185.00	210.00	235.00
6	2 Inch	-	296.00	336.00	376.00
7	3 Inch	-	592.00	672.00	752.00
8	4 Inch	-	925.00	1,050.00	1,175.00
9	6 Inch	-	1,850.00	2,100.00	2,350.00
10					
11	<u>Gallons In Minimum</u>				
12	All Meter Sizes	-	-	-	-
13					
14	<u>Rate per 1,000 Gallons of Water Usage</u>				
15	Residential	\$ 5.84	\$ 3.87	\$ 4.38	\$ 4.91
16	Commercial and Industrial				
17	Cat washes, laundromats, Commercial, Manufacturing	5.71	3.79	4.28	4.80
18	Hotels, Motels	7.66	5.08	5.75	6.43
19	Restaurants	9.46	6.27	7.10	7.95
20	Industrial Laundries	8.39	5.56	6.29	7.05
21	Waste haulers	171.20	113.51	128.40	143.81
22	Restaurant Grease	149.80	99.32	112.35	125.83
23	Treatment Plant Sludge	171.20	113.51	128.40	143.81
24	Mud Sump Waste	535.00	354.71	401.25	449.40
25					
26					
27					
28					
29					
30					

ORIGINAL

OPEN MEETING AGENDA ITEM



tabbies

EXHIBIT

S-10

ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH - CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

2015 NOV -5 P 2:54

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

STAFF'S NOTICE OF FILING DIRECT
TESTIMONY IN SUPPORT OF THE
SETTLEMENT AGREEMENT

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
James R. Armstrong in Support of the Settlement Agreement signed November 5, 2015 in the above
docket.

RESPECTFULLY SUBMITTED this 5th day of November, 2015.

Arizona Corporation Commission

DOCKETED

NOV 05 2015

DOCKETED BY *14*

Wesley C. Van Cleve
Matthew Laudone
Attorneys, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of
the foregoing filed this 5th day of
November, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

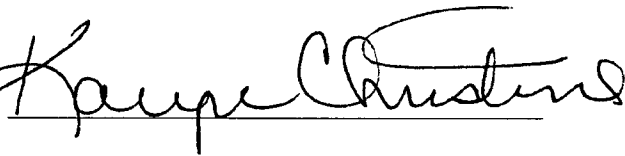
1 Copy of the foregoing mailed this
2 5th day of November, 2015, to:

3 Steve Wene, Esq.
4 MOYES SELLERS & HENDRICKS, LTD
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004
7 Attorneys for Utility Source, LLC

8 Daniel Pozefsky, Chief Counsel
9 RESIDENTIAL UTILITY CONSUMER OFFICE
10 1110 West Washington Street, Suite 220
11 Phoenix, Arizona 85007

12 Erik Nielsen
13 4680 North Alpine Drive
14 P.O. Box 16020
15 Bellemont, Arizona 86015

16 Terry Fallon
17 4561 Bellemont Springs Drive
18 Bellemont, Arizona 86015

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21
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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
UTILITY SOURCE, L.L.C. FOR APPROVAL)
OF A RATE INCREASE)
_____)

DOCKET NO. WS-04235A-13-0331

DIRECT

TESTIMONY

OF

JAMES R. ARMSTRONG

IN SUPPORT OF A SETTLEMENT AGREEMENT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

NOVEMBER 5, 2015

TABLE OF CONTENTS

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**EXECUTIVE SUMMARY
UTILITY SOURCE, L.L.C.
DOCKET NO. WS-04235A-13-0331**

The parties of record to the Utility Source, L.L.C. (the "Company") rate case filing, Docket No. 13-0331, have entered into a Settlement Agreement (the "Agreement") to resolve all issues in this docket.

Staff believes the terms and conditions of this Agreement are just and reasonable, and in the public interest. On behalf of Staff, Mr. Armstrong recommends that the Commission approve the Settlement Agreement in its entirety.

The major provisions contained in the Agreement include:

1. Establishment of the revenue requirement for the Utility Source Water Division and the phase-in of this revenue requirement with a three year phase-in of rates;
2. Establishment of the revenue requirement for the Utility Source Wastewater Division and the phase-in of this revenue requirement with a three year phase-in of rates;
3. The establishment of a billing rate for sales from the Company's standpipe distribution facility of \$18.86 per 1,000 gallons, with no phase-in required for this billing rate; and
4. An Agreement regarding eight post-decision duties that will be required of the Company.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is James R. Armstrong. I am employed as the Chief Accountant of the Finance &
4 Regulatory Analysis Section of the Utilities Division ("Staff"), of the Arizona Corporation
5 Commission ("ACC"). My business address is 1200 West Washington Street, Phoenix,
6 Arizona 85007.

7
8 **Q. Are you the same James R. Armstrong that previously filed testimony in this docket**
9 **on behalf of Staff?**

10 A. Yes, I am.

11
12 **SCOPE OF TESTIMONY**

13 **Q. Mr. Armstrong, what is the purpose of your current testimony?**

14 A. I am filing testimony, on behalf of Staff, supporting the Settlement Agreement that has been
15 reached by the parties of record to this docket, and to recommend that the Commission
16 approve this Settlement Agreement, in its entirety, as the complete resolution of issues in this
17 rate case.

18
19 **Q. Mr. Armstrong, did you personally participate in the settlement discussions that took**
20 **place?**

21 A. Yes. I participated along with the Utilities Division Director, Mr. Broderick, and other
22 members of the Division's Legal, Engineering, and Finance & Regulatory Analysis Sections.
23

1 **Q. Mr. Armstrong, did all parties of record to Docket No. WS-04235A-013-0331**
2 **participate in the settlement discussion that were held?**

3 **A. Yes, and all parties provided valuable input, and such input was given fair consideration in**
4 **defining the specific provisions of the Settlement Agreement. However, as with all settlement**
5 **agreements, the ultimate results represent position compromises accepted only for purposes**
6 **of resolving the complex matters associated with the pending rate case.**

7

8 **Q. Mr. Armstrong on behalf of Staff do you believe that the settlement discussions were**
9 **undertaken in good faith by all parties?**

10 **A. Yes.**

11

12 **Q. Mr. Armstrong, does Staff believe the provisions of the Settlement Agreement**
13 **represent a fair and reasonable resolution of all issues in this case?**

14 **A. Yes. Staff believes that the terms and conditions of this Agreement are just and reasonable,**
15 **and in the public interest. Further, Staff believes that the first phase of the rates contained**
16 **herein, for both the Water and Wastewater Divisions, should become effective with the first**
17 **billing cycle beginning after the effective date of the Commission Order approving the**
18 **Agreement.**

19

20 **Q. Does Staff recommend that the Commission accept and approve all elements of the**
21 **Settlement Agreement?**

22 **A. Yes.**

23

1 **Q. Mr. Armstrong, please summarize the provisions of the Settlement Agreement (the**
2 **"Agreement").**

3 **A. The Settlement Agreement terms related specifically to the Utility Source, L.L.C.**
4 **("Company") Water Division are shown in paragraphs 2.1 through 2.7, and the terms related**
5 **specifically to the Wastewater Division are shown in paragraphs 3.1 through 3.7. There are**
6 **also revenue requirement and rate design Schedules applicable to each of the Divisions**
7 **accompanying the Agreement.**

8
9 For the Water Division, the most valuable provisions from the ratepayer perspective include
10 the imputation of \$127,763 in standpipe facility revenues, forgoing recovery of income tax
11 recoveries (for this case only), and a total rate increase for non-standpipe service customers
12 limited to \$94,774 to be phased in over three-years with no recovery of lost revenues
13 attributable to this three year phase-in of the total rate increase. The most valuable provision
14 from the Company' perspective are a 9.95 percent ROR, the recovery of rate case expense
15 over a three year period, approval of a standpipe facility rate of \$18.86 per 1,000 gallons sold,
16 and a first year rate increase for non-standpipe customers that should position the Company
17 to exceed its operational breakeven point the first year.

18
19 For the Wastewater Division, the most valuable provisions from the ratepayer perspective
20 include forgoing recovery of income tax recoveries (for this case only), and a total rate
21 increase limited to \$177,255 to be phased in over three-years with no recovery of lost
22 revenues attributable to this three year phase-in of the total rate increase. The most valuable
23 provision from the Company' perspective are a 9.95 percent ROR, the recovery of rate case
24 expense over a three year period, and a first year rate increase that should position the
25 Company to exceed its operational breakeven point the first year.

STANDPIPE ISSUES AND CONSIDERATIONS

Q. Mr. Armstrong, what billing rate have the parties agreed to for water deliveries from the Company's standpipe facility?

A. The rate would be \$18.86 per 1,000 gallons. This is the rate supported within Page 1 of 4 of Attachment A to Staff's response to the Administrative Law Judge's Procedural Order directives. I co-sponsored Staff's response. This Staff response was filed on February 11, 2015.

I would also note that the Water Division revenue requirement Schedules also reflect the imputation of the level of standpipe-related revenues, expenses, and rate base components agreed to by the parties.

Q. How will non-standpipe customers benefit from Commission approval of this \$18.86 per 1,000 gallon standpipe rate?

A. As just noted, the additional revenues expected to be generated from the standpipe facility have been imputed in developing the annual revenue requirement that non-standpipe customers must bear, so even after adding the rate base investment, assumed by the parties to be needed to support the standpipe operation, to the Water Division's total cost-of-service; the annual revenue funding required from the non-standpipe customers drops significantly.

Q. Mr. Armstrong, can you explain the purpose of the eight post-decision duties the Company is committing to?

A. Yes. The eight duties listed represent recommendations that were advocated by various parties during the processing of this rate case. But for the prospective use of the depreciation and amortization rates that are the subject of paragraph 4.1, none of these recommendations directly impacted the general ratemaking considerations covered in other paragraphs of the

1 Agreement. However the parties deemed these to be important, and perhaps most
2 importantly, these duties represent actions that the Company has agreed to take. So the
3 parties to the Agreement are recommending that these duties be made a part of the
4 Commission's Decision in this docket.

5
6 These eight duties are noted with paragraphs 4.1 through 4.8 of the Settlement Agreement.

7
8 **Q. Mr. Armstrong, does this conclude your testimony in support of the Settlement**
9 **Agreement?**

10 **A. Yes, it does.**

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Settlement Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	\$ 1,979,887
2		
3	Adjusted Operating Income	103,282
4		
5	Current Rate of Return	5.22%
6		
7	Required Operating Income	\$ 196,999
8		
9	Required Rate of Return	9.95%
10		
11	Operating Income Deficiency	\$ 93,716
12		
13	Gross Revenue Conversion Factor	1.0113
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 94,774
17		
18	Adjusted Test Year Revenues	\$ 333,949
19	Increase in Gross Revenue Revenue Requirement	\$ 94,774
20	Proposed Revenue Requirement	\$ 428,723
21	% Increase	28.38%

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Settlement Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 2,965,387	\$ 2,965,387
3	Less: Accumulated Depreciation	781,808	781,808
4			
5	Net Utility Plant in Service	\$ 2,183,579	\$ 2,183,579
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	294,745	294,745
11			
12	Accumulated Amortization of CIAC	(96,938)	(96,938)
13			
14	Customer Meter Deposits	5,885	5,885
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	\$ 1,979,887	\$ 1,979,887
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
45	B-3		
46	B-5		
47	E-1		
48			
49			
50			
51			
52			

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Settlement Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 2,496,640	468,747	\$ 2,965,387
3				
4	Less:			
5	Accumulated			
6	Depreciation	726,406	55,402	781,808
7				
8				
9	Net Utility Plant			
10	in Service	\$ 1,770,234		\$ 2,183,579
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	294,745	-	294,745
18				
19	Accumulated Amortization of CIAC	(96,938)	-	(96,938)
20				
21	Customer Meter Deposits	5,885	0	5,885
22	Accumulated Deferred Income Tax	-	-	-
23				
24				
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				
33				
34	Total	\$ 1,566,542		\$ 1,979,887

SUPPORTING SCHEDULES:
B-2, pages 2

RECAP SCHEDULES:
B-1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Settlement Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at end of Test Year	1 Plant-in- Service	2 Accumulated Depreciation	Proforma Adjustments			4 Customer Security Deposits	5 Intentionally Left Blank	Settlement Adjusted at end of Test Year
					3 CIAC					
1	Gross Utility									
2	Plant in Service	\$ 2,496,640	468,747							\$ 2,965,387
3										
4	Less:									
5	Accumulated									
6	Depreciation	726,406		55,402						781,808
7										
8										
9	Net Utility Plant									
10	in Service	\$ 1,770,234	\$ 468,747	\$ (55,402)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,183,579
11										
12	Less:									
13	Advances in Aid of									
14	Construction	-								-
15										
16	Contributions in Aid of									
17	Construction (CIAC)	294,745								294,745
18										
19	Accumulated Amort of CIAC	(96,938)								(96,938)
20										
21	Customer Meter Deposits	5,885								5,885
22	Accumulated Deferred Income Taxes	-								-
23										
24										
25	Plus:									
26	Unamortized Finance									
27	Charges	-								-
28	Prepayments	-								-
29	Materials and Supplies	-								-
30	Allowance for Cash Working Capital	-								-
31										
32	Total	\$ 1,566,542	\$ 468,747	\$ (55,402)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,979,887

SUPPORTING SCHEDULES:
B-2, pages 3-5

RECAP SCHEDULES:
B-1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Settlement Schedule B-2
Page 3
Witness: Bourassa

Line No.	Acct. No.	Description	Plant-in-Service					Settlement Adjusted Original Cost
			A	B	C	D	E	
			Adjusted Original Cost	Remove Cost of Shallow Wells	Standpipe Allocation Per Settlement	Standpipe Allocation Per Settlement	Intentionally Left Blank	Intentionally Left Blank
1								
2								
3								
4								
5	301	Organization Cost	-					-
6	302	Franchise Cost	-					-
7	303	Land and Land Rights	210,000					210,000
8	304	Structures and Improvements	72,997					72,997
9	305	Collecting and Impounding Res.	-					-
10	306	Lake River and Other Intakes	-					-
11	307	Wells and Springs	1,353,539	(92,000)	446,670			1,708,209
12	308	Infiltration Galleries and Tunnels	-					-
13	309	Supply Mains	-					-
14	310	Power Generation Equipment	89,125					89,125
15	311	Electric Pumping Equipment	158,711					158,711
16	320	Water Treatment Equipment	5,487					5,487
17	320.1	Water Treatment Plant	-					-
18	320.2	Chemical Solution Feeders	-					-
19	330	Dist. Reservoirs & Standpipe	321,452		114,077			435,529
20	330.1	Storage tanks	-					-
21	330.2	Pressure Tanks	-					-
22	331	Trans. and Dist. Mains	161,632					161,632
23	333	Services	86,250					86,250
24	334	Meters	-					-
25	335	Hydrants	34,500					34,500
26	336	Backflow Prevention Devices	-					-
27	339	Other Plant and Misc. Equip.	-					-
28	340	Office Furniture and Fixtures	2,947					2,947
29	340.1	Computers and Software	-					-
30	341	Transportation Equipment	-					-
31	342	Stores Equipment	-					-
32	343	Tools and Work Equipment	-					-
33	344	Laboratory Equipment	-					-
34	345	Power Operated Equipment	-					-
35	346	Communications Equipment	-					-
36	347	Miscellaneous Equipment	-					-
37	348	Other Tangible Plant	-					-
38		Plant Held for Future Use	-					-
39		TOTALS	\$ 2,496,640	\$ (92,000)	\$ 560,747	\$ -	\$ -	\$ 2,965,387
40								
41		Plant-in-Service per Books						\$ 2,496,640
42								
43		Increase (decrease) in Plant-in-Service						\$ 468,747
44								
45		Adjustment to Plant-in-Service						\$ 468,747
46								
47								
48		SUPPORTING SCHEDULES						
49		B-2, pages 3.1 to 3.3						
50								

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Settlement Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.		A	B	Adjustments C	D	E	Settlement
		Adjusted	Removal of	Statndpipe Adj.	Statndpipe Adj.	Intentionally	Adjusted
		Accum.	A/D on Shallow Wells	Per Settlement	Per Settlement	Left	Accum.
		Depr.				Blank	Depr.
1							
2							
3							
4	Acct.						
5	No. Description						
6	301 Organization Cost	-					-
7	302 Franchise Cost	-					-
8	303 Land and Land Rights	-					-
9	304 Structures and Improvements	20,662					20,662
10	305 Collecting and Impounding Res.	-					-
11	306 Lake River and Other Intakes	-					-
12	307 Wells and Springs	381,185	(39,401)	88,446	(7)		430,223
13	308 Infiltration Galleries and Tunnels	-					-
14	309 Supply Mains	-					-
15	310 Power Generation Equipment	37,145					37,145
16	311 Electric Pumping Equipment	168,630					168,630
17	320 Water Treatment Equipment	1,553					1,553
18	320.1 Water Treatment Plant	-					-
19	320.2 Chemical Solution Feeders	-					-
20	330 Dist. Reservoirs & Standpipe	60,658		6,364			67,022
21	330.1 Storage tanks	-					-
22	330.2 Pressure Tanks	-					-
23	331 Trans. and Dist. Mains	25,457					25,457
24	333 Services	24,413					24,413
25	334 Meters	-					-
26	335 Hydrants	5,865					5,865
27	336 Backflow Prevention Devices	-					-
28	339 Other Plant and Misc. Equip.	-					-
29	340 Office Furniture and Fixtures	837					837
30	340.1 Computers and Software	-					-
31	341 Transportation Equipment	-					-
32	342 Stores Equipment	-					-
33	343 Tools and Work Equipment	-					-
34	344 Laboratory Equipment	-					-
35	345 Power Operated Equipment	-					-
36	346 Communications Equipment	-					-
37	347 Miscellaneous Equipment	-					-
38	348 Other Tangible Plant	-					-
39							
40	TOTALS	\$ 726,406	\$ (39,401)	\$ 94,810	\$ (7)	\$ -	\$ 781,808
41							
42	Accumulated Depreciation per Books						\$ 726,406
43							
44	Increase (decrease) in Accumulated Depreciation						\$ 55,402
45							
46	Adjustment to Accumulated Depreciation						\$ 55,402
47							
48	<u>SUPPORTING SCHEDULES</u>						
49	B-2, pages 4.1						
50	B-2, pages 4.2						

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 202,743	\$ 127,765	\$ 330,508	\$ 94,774	\$ 425,282
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	5,261	(1,820)	3,441	-	3,441
5		<u>\$ 208,004</u>	<u>\$ 125,945</u>	<u>\$ 333,949</u>	<u>\$ 94,774</u>	<u>\$ 428,723</u>
6	Operating Expenses					
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-
9	Purchased Power	66,787	(526)	66,261	-	66,261
10	Fuel For Power Production	-	-	-	-	-
11	Chemicals	1,460	-	1,460	-	1,460
12	Materials and Supplies	12,257	-	12,257	-	12,257
13	Office Supplies and Expense	2,399	-	2,399	-	2,399
14	Contractual Services - Accounting	20,253	-	20,253	-	20,253
15	Contractual Services - Professional	9,651	-	9,651	-	9,651
16	Contractual Services - Maintenance	-	-	-	-	-
17	Contractual Services - Other	-	-	-	-	-
18	Water Testing	8,107	(7,733)	374	-	374
19	Rents	-	3,007	3,007	-	3,007
20	Transportation Expenses	-	-	-	-	-
21	Insurance - General Liability	2,186	-	2,186	-	2,186
22	Insurance - Health and Life	-	-	-	-	-
23	Reg. Comm. Exp. - Other	-	-	-	-	-
24	Reg. Comm. Exp. - Rate Case	10,000	6,667	16,667	-	16,667
25	Miscellaneous Expense	19,976	(6,469)	13,507	-	13,507
26	Bad Debt Expense	-	-	-	-	-
27	Depreciation and Amortization Expense	57,728	13,735	71,463	-	71,463
28	Taxes Other Than Income	-	-	-	-	-
29	Property Taxes	7,530	3,653	11,183	1,058	12,241
30	Income Tax	(2,064)	2,064	-	-	-
31	Total Operating Expenses	<u>\$ 216,269</u>	<u>\$ 14,398</u>	<u>\$ 230,667</u>	<u>\$ 1,058</u>	<u>\$ 231,725</u>
32	Operating Income	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>
33	Other Income (Expense)					
34	Interest Income	-	-	-	-	-
35	Other income	-	-	-	-	-
36	Interest Expense	-	-	-	-	-
37	Other Expense	-	-	-	-	-
38		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
39	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
40	Net Profit (Loss)	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>

SUPPORTING SCHEDULES:
C-1, page 2
E-2

RECAP SCHEDULES:
A-1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 2.1
Witness: Bourassa

Line No.	LABEL>>>>	1	2	3	4	5	6	7
	Test Year Adjusted Results	Depreciation	Property Taxes	Rate Case Expense	Revenue Adjustment	Water Testing	Auto Expense	Telephone Expense
1	Revenues							
2	Metered Water Revenues	\$ 202,743			\$ 127,765			
3	Unmetered Water Revenues	-						
4	Other Water Revenues	5,261			(1,820)			
5		\$ 208,004	\$ -	\$ -	\$ -	\$ 125,945	\$ -	\$ -
6	Operating Expenses							
7	Salaries and Wages	\$ -						
8	Purchased Water	-						
9	Purchased Power	66,787						
10	Fuel For Power Production	-						
11	Chemicals	1,460						
12	Materials and Supplies	12,257						
13	Office Supplies and Expense	2,399						
14	Contractual Services - Accounting	20,253						
15	Contractual Services - Professional	9,651						
16	Contractual Services - Maintenance	-						
17	Contractual Services - Other	-						
18	Water Testing	8,107				(7,733)		
19	Rents	-						
20	Transportation Expenses	-						
21	Insurance - General Liability	2,186						
22	Insurance - Health and Life	-						
23	Reg. Comm. Exp. - Other	-						
24	Reg. Comm. Exp. - Rate Case	10,000		6,667				
25	Miscellaneous Expense	19,976					(1,750)	(2,366)
26	Bad Debt Expense	-						
27	Deprec. and Amort. Exp.	57,728	13,735					
28	Taxes Other Than Income	-						
29	Property Taxes	7,530	3,653					
30	Income Tax	(2,064)						
31	Total Operating Expenses	\$ 216,269	\$ 13,735	\$ 3,653	\$ 6,667	\$ -	\$ (7,733)	\$ (1,750)
32	Operating Income	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 125,945	\$ 7,733	\$ 1,750
33	Other Income (Expense)							
34	Interest Income	-						
35	Other income	-						
36	Interest Expense	-						
37	Other Expense	-						
38		-						
39	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	Net Profit (Loss)	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 125,945	\$ 7,733	\$ 1,750
41								
42	SUPPORTING SCHEDULES:							
43	C-2							
44	E-2							

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 2.2
Witness: Bourassa

Line No.	8 Utility Expense	9 Office Rent Exp	10 Late Fees	11 Income Taxes	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues						
2					\$ 330,508	\$ 94,774	\$ 425,282
3					-	-	-
4					3,441		3,441
5					\$ 333,949	\$ 94,774	\$ 428,723
6	Operating Expenses						
7					\$ -	\$ -	\$ -
8					-	-	-
9				(526)	66,261		66,261
10					-	-	-
11					1,460		1,460
12					12,257		12,257
13					2,399		2,399
14					20,253		20,253
15					9,651		9,651
16					-	-	-
17					-	-	-
18					374		374
19		3,007			3,007		3,007
20					-	-	-
21					2,186		2,186
22					-	-	-
23					-	-	-
24					16,667		16,667
25	(2,353)				13,507		13,507
26					-	-	-
27					71,463		71,463
28					-	-	-
29					11,183	1,058	12,241
30				2,064	-	-	-
31	\$ (2,353)	\$ 3,007	\$ (526)	\$ 2,064	\$ 230,667	\$ 1,058	\$ 231,725
32	\$ 2,353	\$ (3,007)	\$ 526	\$ (2,064)	\$ 103,282	\$ 93,716	\$ 196,999
33	Other Income (Expense)						
34					-	-	-
35					-	-	-
36					-	-	-
37					-	-	-
38					-	-	-
39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	\$ 2,353	\$ (3,007)	\$ 526	\$ (2,064)	\$ 103,282	\$ 93,716	\$ 196,999

41
42 SUPPORTING SCHEDULES:
43 C-2
44 E-2

RECAP SCHEDULES:
C-1, page 1

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Settlement Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line
No.

Acct.	No.	Description	Adjusted Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
	301	Organization Cost	-		-	0.00%	-
	302	Franchise Cost	-		-	0.00%	-
	303	Land and Land Rights	210,000	(210,000)	-	0.00%	-
	304	Structures and Improvements	72,997		72,997	3.33%	2,431
	305	Collecting and Impounding Res.	-		-	2.50%	-
	306	Lake River and Other Intakes	-		-	2.50%	-
	307	Wells and Springs	1,708,209		1,708,209	3.33%	56,883
	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
	309	Supply Mains	-		-	2.00%	-
	310	Power Generation Equipment	89,125		89,125	5.00%	4,456
	311	Electric Pumping Equipment	158,711	(158,711)	-	12.50%	-
	320	Water Treatment Equipment	5,487		5,487	3.33%	183
	320.1	Water Treatment Plant	-		-	3.33%	-
	320.2	Chemical Solution Feeders	-		-	20.00%	-
	330	Dist. Reservoirs & Standpipe	435,529		435,529	2.22%	9,669
	330.1	Storage tanks	-		-	2.22%	-
	330.2	Pressure Tanks	-		-	5.00%	-
	331	Trans. and Dist. Mains	161,632		161,632	2.00%	3,233
	333	Services	86,250		86,250	3.33%	2,872
	334	Meters	-		-	8.33%	-
	335	Hydrants	34,500		34,500	2.00%	690
	336	Backflow Prevention Devices	-		-	6.67%	-
	339	Other Plant and Misc. Equip.	-		-	6.67%	-
	340	Office Furniture and Fixtures	2,947		2,947	6.67%	197
	340.1	Computers and Software	-		-	20.00%	-
	341	Transportation Equipment	-		-	20.00%	-
	342	Stores Equipment	-		-	4.00%	-
	343	Tools and Work Equipment	-		-	5.00%	-
	344	Laboratory Equipment	-		-	10.00%	-
	345	Power Operated Equipment	-		-	5.00%	-
	346	Communications Equipment	-		-	10.00%	-
	347	Miscellaneous Equipment	-		-	10.00%	-
	348	Other Tangible Plant	-		-	10.00%	-
		TOTALS	\$ 2,965,387	\$ (368,711)	\$ 2,596,676		\$ 80,613
						Gross CIAC	Amort. Rate
		Less: Amortization of Contributions			\$ 294,745	3.1045%	\$ (9,150)
		Total Depreciation Expense					\$ 71,463
		Adjusted Test Year Depreciation Expense					57,728
		Increase (decrease) in Depreciation Expense					13,735
		Adjustment to Revenues and/or Expenses					\$ 13,735

SUPPORTING SCHEDULE

B-2, page 3

*Fully Depreciated

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Settlement Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 333,949	\$ 333,949
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	667,898	667,898
4	Company Recommended Revenue	333,949	428,723
5	Subtotal (Line 4 + Line 5)	1,001,847	1,096,622
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	333,949	365,541
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	667,898	731,081
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	667,898	731,081
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	123,561	135,250
15	Composite Property Tax Rate - Obtained from ADOR	9.0503%	9.0503%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 11,183	\$ 12,241
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 11,183	
19	Test Year Property Taxes	\$ 7,530	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ 3,653	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 12,241
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 11,183
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 1,058
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 1,058
27	Increase in Revenue Requirement		\$ 94,774
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.11620%
29			
30			
31			
32			
33			
34			
35			

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Settlement Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line
No.

1		
2		
3	Estimated Rate Case Expense	\$ 50,000
4		
5	Estimated Amortization Period in Years	3
6		
7	Annual Rate Case Expense	<u>\$ 16,667</u>
8		
9	Adjusted Test Year Rate Case Expense	\$ 10,000
10		
11	Increase(decrease) Rate Case Expense	<u>\$ 6,667</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ 6,667</u>
14		
15		
16	<u>Reference</u>	
17	Testimony	
18		
19		
20		

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Settlement Schedule C-2
Page 5
Witness: Bourassa

Revenue Adjustment

Line
No.

1	Metered Revenue Adjustment from Standpipe	\$	127,765
2	Misc Revenue Adjustment	\$	(1,820)
3			
4			
5			
6	Total Revenue from Annualization	<u>\$</u>	<u>125,945</u>
7			
8			
9	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>125,945</u>
10			
11	<u>Reference</u>		
12	Staff Adjustment # 1		
13			
14			
15			
16			
17			
18			
19			
20			

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Settlement Schedule C-2
Page 6
Witness: Bourassa

Water Testing

Line
No.

1		
2	RUCO Recommended Water Testing Expense	\$ 374
3		
4	Adjuste Test Year Water Testing Expense	\$ 8,107
5		
6	Adjustment to purchased power expense (rounded)	<u>\$ (7,733)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(7,733)</u>
10		
11	<u>Reference</u>	
12	RUCO Adjustment #2	
13		
14		
15		
16		
17		
18		
19		
20		

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Settlement Schedule C-2
Page 7
Witness: Bourassa

Auto Expense

Line
No.

1		
2	Test Year Auto Expense	\$ 1,500
3		
4	Staff Recommended Auto Expense	3,250
5		
6	Adjustment to Revenues	<u>\$ (1,750)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(1,750)</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment #4	
13		
14		
15		
16		
17		
18		
19		
20		

Utility Source. LLC - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Settlement Schedule C-2
Page 8
Witness: Bourassa

Telephone Expense

Line
No.

1		
2	Staff Recommended Telephone Expense	\$ 2,366
3		
4	Adjusted Test Year Telephone Expense	4,732
5		
6	Adjustment to Misc. Expense	<u>\$ (2,366)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>\$ (2,366)</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment #5	
13		
14		
15		
16		
17		
18		
19		
20		

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Settlement Schedule C-3
Page 1
Witness: Bourassa

Line		Percentage of Incremental Gross Revenues
No.	Description	
1	Combined Federal and State Effective Income Tax Rate	0.000%
2		
3	Property Taxes	1.116%
4		
5		
6	Total Tax Percentage	1.116%
7		
8	Operating Income % = 100% - Tax Percentage	98.884%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.0113
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
28		
29		
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36		
37		
38		
39		
40		

Utility Source, LLC - Water Division
Revenue Summary
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	3/4 Inch	Residential	\$ 159,301	\$ 242,388	\$ 83,087	52.16%	47.70%	56.54%
2	3/4 Inch	Commercial	322	634	313	97.19%	0.10%	0.15%
3	2 Inch	Commercial	38,120	42,800	4,680	12.28%	11.41%	9.98%
4	2 Inch	Irrigation	1,776	3,969	2,193	123.50%	0.53%	0.93%
5								
6	Bulk/Construction		3,482	6,437	2,955	84.85%	1.04%	1.50%
7	Imputed Standpipe		127,763	127,763	-	0.00%	38.26%	29.80%
8								
9	Subtotals of Revenues		\$ 330,763	\$ 423,991	\$ 93,228	28.19%	99.05%	98.90%
10	Revenue Annualizations:							
11	3/4 Inch	Residential	\$ 328	\$ 572	\$ 245	74.68%	0.10%	0.13%
12								
13					\$ -	0.00%	0.00%	0.00%
14								
15	Bulk/Construction		-	-	-	0.00%	0.00%	0.00%
16	Subtotal Revenue Annualization		328	572	245	74.68%	0.10%	0.17%
17								
18	Total Revenues w/ Annualization		\$ 331,091	\$ 424,563	\$ 93,472	28.23%	99.14%	99.03%
19	Misc Revenues, as adjusted		3,441	3,441	-	0.00%	1.03%	0.80%
20	Reconciling Amount		(583)	719	1,302	-223.33%	-0.17%	0.17%
21	Total Revenues		\$ 333,949	\$ 428,724	\$ 94,774	28.38%	100.00%	100.00%
22								
23								

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Settlement Schedule H-3
Page 1

Line No.		Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates	
1	Monthly Usage Charge for:					
2	<u>Meter Size (All Classes):</u>					
2	5/8x3/4 Inch	\$ 18.50	\$ 34.23	\$ 37.37	\$ 41.35	
2	3/4 Inch	18.50	34.23	37.37	41.35	
3	1 Inch	46.50	85.56	93.43	103.37	
4	1 1/2 Inch	92.50	171.13	186.85	206.74	
5	2 Inch	148.00	273.80	298.96	330.78	
6	3 Inch	296.00	547.60	597.92	661.56	
7	4 Inch	462.50	855.63	934.25	1,033.69	
8	6 Inch	925.00	1,711.25	1,868.50	2,067.38	
9						
10						
11						
12	<u>Gallons in Minimum (All Classes)</u>					
13						
14						
			(Per 1,000 gallons)			
15						
16	<u>Commodity Rates</u>	<u>Block</u>	<u>Present Rate</u>	<u>Phase 1 Proposed Rate</u>	<u>Phase 2 Proposed Rate</u>	<u>Phase 3 Proposed Rate</u>
17						
18	5/8x3/4 Inch (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
19		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
20		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
21						
22	3/4 Inch Meter (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
23		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
24		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
25						
26	1 Inch Meter (Residential, Commercial)	1 gallons to 27,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
27		over 27,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
28						
29	1.5 Inch Meter (Residential, Commercial)	Over Minimum up to 57,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
30		Over 57,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
31						
32	2 Inch Meter (Residential, Commercial)	1 gallons to 94,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
33		over 94,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
34						
35	3 Inch Meter (Residential, Commercial)	1 gallons to 195,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
36		over 195,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
37						
38						
39						
40	NT = No Tariff					
41						

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Settlement Schedule H-3
Page 2

Line
No.

		(Per 1,000 gallons)			
		Present	Phase 1 Proposed	Phase 2 Proposed	Phase 3 Proposed
		Rate	Rate	Rate	Rate
1					
2					
3	<u>Commodity Rates</u>				
4	4 Inch Meter (Residential, Commercial)				
5	Block				
6	1 gallons to 309,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
7	over 309,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
8					
9	6 Inch Meter (Residential, Commercial)				
10	Block				
11	1 gallons to 615,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
12	over 615,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
13					
14	Irrigation Meters				
15	All gallons	\$ 9.26	\$ 5.50	\$ 6.25	\$ 6.80
16					
17	Standpipe or Bulk				
18	All gallons	\$ 10.35	\$ 18.86	\$ 18.86	\$ 18.86
19					
20	Construction				
21	All gallons	\$ 10.35	\$ 18.86	\$ 18.86	\$ 18.86
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					

Utility Source, LLC - Water Division
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-3
Page 3
Witness: Bourassa

Line
No.

Meter and Service Line Charges ¹						
	Present Service Line Charge	Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
7 5/8 x 3/4 Inch			\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
8 3/4 Inch			575.00	415.00	205.00	620.00
9 1 Inch			660.00	465.00	265.00	730.00
10 1 1/2 Inch			900.00	520.00	475.00	995.00
11 2 Inch Turbo			1,525.00	800.00	995.00	1,795.00
12 2 Inch, Compound			2,320.00	800.00	1,840.00	2,640.00
13 3 Inch Turbo			2,275.00	1,015.00	1,620.00	2,635.00
14 3 Inch, compound			3,110.00	1,135.00	2,495.00	3,630.00
15 4 Inch Turbo			3,360.00	1,430.00	2,570.00	4,000.00
16 4 Inch, compound			4,475.00	1,610.00	3,545.00	5,155.00
17 6 Inch Turbo			6,035.00	2,150.00	4,925.00	7,075.00
18 6 Inch, compound			8,050.00	2,270.00	6,820.00	9,090.00

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

Other Charges:

Establishment	\$ 20.00
Establishment (After Hours)	\$ 40.00
Reconnection (Delinquent)	\$ 50.00
Reconnection (After hours)	\$ 40.00
Meter Test	\$ 20.00
Minimum Deposit Requirement	PER RULE
Deposit Interest	PER RULE
Re-establishment (Within 12 months)	PER RULE
NSF Check	\$ 20.00
Deferred Payment, per month	1.5%
Meter Re-read	\$ 10.00
Late Charge	1.5%
Customer requested Meter Test	\$ 20.00
After hours service charge	\$ 40.00
Moving Customer Meter (at customer request)	Cost

\$ 20.00
*Removed
\$ 50.00
*Removed
\$ 20.00
PER RULE
PER RULE
PER RULE
\$ 20.00
1.5%
\$ 10.00
1.5%
\$ 20.00
\$ 40.00
Cost

(a) \$ 5.00 minimum or 1.5% of unpaid balance whichever is greater.

* After hours service charge will apply when service requested by customer after hours.

Utility Source, LLC - Water Division - Phase 1
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Consumption	Average Bill		Proposed Increase		Percent of Customers
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	4,123 \$	38.58 \$	47.90 \$	9.32	24.16%	98.16%
2	3/4 Inch Commercial	1	1,667	26.50	43.39	16.89	63.74%	0.31%
3	2 Inch Commercial	3	115,286	1,004.10	934.48	(69.62)	-6.93%	0.92%
4	2 Inch Irrigation	1	-	148.00 \$	273.80 \$	125.80	85.00%	0.31%
5								
6	Construction/Bulk	1	26,251	290.19	529.31	239.12	82.40%	0.31%
7								
8								
9								
10								
11								
12	Totals	326						
13								
14	Actual Year End Number of Customers:	327						
15								
16								
17								
18								
19								

100.00%

Utility Source, LLC - Water Division - Phase 1
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Bill		Median Consumption	Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates		Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	\$ 35.30	\$ 45.60	\$ 3,500	\$ 10.30	29.18%	98.16%
2	3/4 Inch Commercial	1	\$ 25.70	\$ 42.48	1,500	16.78	65.27%	0.31%
3	2 Inch Commercial	3	613.40	631.30	65,000	17.90	2.92%	0.92%
4	2 Inch Irrigation	1	\$ 148.00	\$ 273.80	-	\$ 125.80	85.00%	0.31%
5								
6	Construction/Bulk	1	437.69	798.07	40,501	360.39	82.34%	0.31%
7								
8								
9								
10								
11	Totals	326						100.00%
12								
13	Actual Year End Number of Customers:	327						
14								
15								
16								
17								
18								

Utility Source, LLC - Water Division - Phase 2
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Bill		Proposed Increase		Percent of Customers
			Average Consumption	Present Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	4,123 \$	38.58 \$	15.56	40.33%	98.16%
2	3/4 Inch Commercial	1	1,667	26.50	21.29	80.32%	0.31%
3	2 Inch Commercial	3	115,286	1,004.10	42.00	4.18%	0.92%
4	2 Inch Irrigation	1	- \$	148.00 \$	150.96	102.00%	0.31%
5							
6	Construction/Bulk	1	26,251	290.19	242.26	83.48%	0.31%
7							
8							
9							
10							
11							
12	Totals	326					
13							
14	Actual Year End Number of Customers:	327					
15							
16							
17							
18							
19							

100.00%

Utility Source, LLC - Water Division - Phase 2
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Consumption	Median Bill		Proposed Increase		Percent of Customers
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	3,500	\$ 35.30	\$ 51.37	\$ 16.07	45.52%	98.16%
2	3/4 Inch Commercial	1	1,500	\$ 25.70	\$ 46.75	21.05	81.89%	0.31%
3	2 Inch Commercial	3	65,000	613.40	705.21	91.81	14.97%	0.92%
4	2 Inch Irrigation	1	-	\$ 148.00	\$ 298.96	\$ 150.96	102.00%	0.31%
5								
6	Construction/Bulk	1	40,501	437.69	801.22	363.53	83.06%	0.31%
7								
8								
9								
10								
11	Totals	326						
12								
13	Actual Year End Number of Customers:	327						
14								
15								
16								
17								
18								

100.00%

Exhibit
Settlement Schedule H-2
Page 1
Witness: Bourassa

100.00%

Utility Source, LLC - Water Division
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	\$ 35.30	\$ 57.27	\$ 21.97	62.25%	98.16%
2	3/4 Inch Commercial	1	\$ 25.70	\$ 51.55	25.85	100.57%	0.31%
3	2 Inch Commercial	3	613.40	772.78	159.38	25.98%	0.92%
4	2 Inch Irrigation	1	\$ 148.00	\$ 330.78	\$ 182.78	123.50%	0.31%
5							
6	Construction/Bulk	1	437.69	805.20	367.51	83.97%	0.31%
7							
8							
9							
10							
11	Totals	326					100.00%
12							
13	Actual Year End Number of Customers:	327					
14							
15							
16							
17							
18							

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Settlement Schedule A-1
Page 1
Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$	825,880
2			
3	Adjusted Operating Income		(93,063)
4			
5	Current Rate of Return		-11.27%
6			
7	Required Operating Income	\$	82,175
8			
9	Required Rate of Return		9.95%
10			
11	Operating Income Deficiency	\$	175,238
12			
13	Gross Revenue Conversion Factor		1.0115
14			
15	Increase in Gross Revenue		
16	Requirement	\$	177,255
17			
18	Adjusted Test Year Revenues	\$	119,464
19	Increase in Gross Revenue Revenue Requirement	\$	177,255
20	Proposed Revenue Requirement	\$	296,719
21	% Increase		148.38%

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Settlement Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 1,397,271	\$ 1,397,271
3	Less: Accumulated Depreciation	<u>455,064</u>	<u>455,064</u>
4			
5	Net Utility Plant in Service	\$ 942,207	\$ 942,207
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	197,973	197,973
11			
12	Accumulated Amortization of CIAC	(86,711)	(86,711)
13			
14	Customer Meter Deposits	5,065	5,065
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	<u>\$ 825,880</u>	<u>\$ 825,880</u>
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
45	B-3		
46	B-5		
47			
48			
49			
50			
51			
52			

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Settlement Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 1,397,271	-	\$ 1,397,271
3				
4	Less:			
5	Accumulated			
6	Depreciation	455,064	0	455,064
7				
8				
9	Net Utility Plant			
10	in Service	\$ 942,207		\$ 942,207
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	197,973	-	197,973
18				
19	Accumulated Amortization of CIAC	(86,711)	-	(86,711)
20				
21	Customer Meter Deposits	-	5,065	5,065
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	\$ 830,945		\$ 825,880

SUPPORTING SCHEDULES:

B-2, pages 2
E-1

RECAP SCHEDULES:

B-1

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 -A

Exhibit
Settlement Schedule B-2
Page 3.1
Witness: Bourassa

Line

No.

1 Reconciliation to Reconstructed Plant-in-Service

	Acct.		Adjusted Original	Plant Per	Adjustment
	No.	Description	Cost	Reconstruction	Required
5	351	Organization Cost	-	-	-
6	352	Franchise Cost	-	-	-
7	353	Land and Land Rights	105,000	105,000	-
8	354	Structures & Improvements	56,350	56,350	-
9	355	Power Generation Equipment	2,879	2,879	-
10	360	Collection Sewers - Force	-	-	-
11	361	Collection Sewers - Gravity	260,553	260,553	-
12	362	Special Collecting Structures	-	-	-
13	363	Servcies to Customers	60,375	60,375	-
14	364	Flow Measuring Devices	-	-	-
15	365	Flow Measuring Installations	-	-	-
16	366	Reuse Services	3,450	3,450	-
17	367	Reuse Meters and Meter Installior	-	-	-
18	370	Receiving Wells	-	-	-
19	371	Pumping Equipment	-	-	-
20	374	Reuse Distribution Reservoirs	-	-	-
21	375	Reuse Transmission and Distributio	-	-	-
22	380	Treatment & Disposal Equipment	903,992	903,992	-
23	381	Plant Sewers	-	-	-
24	382	Outfall Sewer Lines	-	-	-
25	389	Other Plant & Misc Equipment	-	-	-
26	390	Office Furniture & Equipment	4,672	4,251	(421)
27	390.1	Computers & Software	-	421	421
28	391	Transportation Equipment	-	-	-
29	392	Stores Equipment	-	-	-
30	393	Tools, Shop & Garage Equipment	-	-	-
31	394	Laboratory Equipment	-	-	-
32	395	Power Operated Equipment	-	-	-
33	396	Communication Equipment	-	-	-
34	397	Miscellaneous Equipment	-	-	-
35	398	Other Tangible Plant	-	-	-
36		TOTALS	\$ 1,397,271	\$ 1,397,271	\$ (0)

37

38

39

40

41

42

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.8

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 1
Witness: Bourassa

Line No.	Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues				
2	Flat Rate Revenues	\$ -	\$ -	\$ -	\$ -
3	Unmetered Water Revenues	116,023	116,023	177,255	293,278
4	Other Water Revenues	5,261	3,441		3,441
5		<u>\$ 121,284</u>	<u>\$ (1,820)</u>	<u>\$ 177,255</u>	<u>\$ 296,719</u>
6	Operating Expenses				
7	Salaries and Wages	\$ -	\$ -		\$ -
8	Purchased Water	-	-		-
9	Purchased Power	26,213	(207)	26,006	26,006
10	Sludge Removal	12,659	-	12,659	12,659
11	Chemicals	5,400	-	5,400	5,400
12	Materials and Supplies	7,187	-	7,187	7,187
13	Office Supplies and Expense	2,446	-	2,446	2,446
14	Contractual Services - Accounting	20,135	-	20,135	20,135
15	Contractual Services - Professional	1,920	-	1,920	1,920
16	Contractual Services - Maintenance	-	-	-	-
17	Contractual Services - Other	46,650	-	46,650	46,650
18	Water Testing	5,669	8,858	14,527	14,527
19	Rents	-	1,742	1,742	1,742
20	Transportation Expenses	3,250	(1,750)	1,500	1,500
21	Insurance - General Liability	2,186	-	2,186	2,186
22	Insurance - Health and Life	-	-	-	-
23	Reg. Comm. Exp. - Other	-	-	-	-
24	Reg. Comm. Exp. - Rate Case	10,000	6,667	16,667	16,667
25	Miscellaneous Expense	13,152	(9,511)	3,641	3,641
26	Bad Debt Expense	-	-	-	-
27	Depreciation and Amortization Expense	45,744	48	45,791	45,791
28	Taxes Other Than Income	-	-	-	-
29	Property Taxes	4,476	(405)	4,071	6,088
30	Income Tax	(13,545)	13,545	-	-
31					
32	Total Operating Expenses	<u>\$ 193,541</u>	<u>\$ 18,986</u>	<u>\$ 212,527</u>	<u>\$ 214,544</u>
33	Operating Income	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>
34	Other Income (Expense)				
35	Interest Income	-	-	-	-
36	Other Income	-	-	-	-
37	Interest Expense	-	-	-	-
38	Other Expense	-	-	-	-
39					
40	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
41	Net Profit (Loss)	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>

SUPPORTING SCHEDULES:
C-1, page 2

RECAP SCHEDULES:
A-1

Utility Sources, LLC - Wastewater Division
Test Year Ended December 31, 2012
Income Statement

Exhibit
Settlement Schedule C-1
Page 21
Witness: Bourassa

Line No.	LABEL>>>>	1 Test Year Adjusted Results	2 Depreciation	3 Property Taxes	4 Rate Case Expense	5 Revenue Adjustment	6 Water Testing	7 Misc (Auto) Expense	8 Telephone Expense
1	Revenues								
2	Flat Rate Revenues	\$ -							
3	Measured Revenues	116,023							
4	Other Water Revenues	5,261				(1,820)			
5		\$ 121,284	\$ -	\$ -	\$ -	\$ (1,820)	\$ -	\$ -	\$ -
6	Operating Expenses								
7	Salaries and Wages	\$ -							
8	Purchased Water	-							
9	Purchased Power	26,213							
10	Sludge Removal	12,659							
11	Chemicals	5,400							
12	Materials and Supplies	7,187							
13	Office Supplies and Expense	2,446							
14	Contractual Services - Accounting	20,135							
15	Contractual Services - Professional	1,920							
16	Contractual Services - Maintenance	-							
17	Contractual Services - Other	46,650							
18	Water Testing	5,669					8,858		
19	Rents	-							
20	Transportation Expenses	3,250						(1,750)	
21	Insurance - General Liability	2,186							
22	Insurance - Health and Life	-							
23	Reg. Comm. Exp. - Other	-							
24	Reg. Comm. Exp. - Rate Case	10,000			6,667				
25	Miscellaneous Expense	13,152							(2,366)
26	Bad Debt Expense	-							
27	Deprec. and Amort. Exp.	45,744	48						
28	Taxes Other Than Income	-							
29	Property Taxes	4,475		(405)					
30	Income Tax	(13,545)							
31									
32	Total Operating Expenses	\$ 193,541	\$ 48	\$ (405)	\$ 6,667	\$ -	\$ 8,858	\$ (1,750)	\$ (2,366)
33	Operating Income	\$ (72,257)	\$ (48)	\$ 405	\$ (6,667)	\$ (1,820)	\$ (8,858)	\$ 1,750	\$ 2,366
34	Other Income (Expense)								
35	Interest Income	-							
36	Other Income	-							
37	Interest Expense	-							
38	Other Expense	-							
39									
40	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	Net Profit (Loss)	\$ (72,257)	\$ (48)	\$ 405	\$ (6,667)	\$ (1,820)	\$ (8,858)	\$ 1,750	\$ 2,366
42									
43	SUPPORTING SCHEDULES:								
44	C-2								
45	E-2								

Line No.	8 Purchased Power	9 Rent Expense	10 Removal of Misc Expense	11 Income Taxes	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1 Revenues							
2 Flat Rate Revenues					\$ -		\$ -
3 Measured Revenues					116,023	177,255	293,278
4 Other Water Revenues					3,441		3,441
5	\$ -	\$ -	\$ -	\$ -	\$ 119,464	\$ 177,255	\$ 296,719
6 Operating Expenses							
7 Salaries and Wages					\$ -		\$ -
8 Purchased Water	(207)				26,006		26,006
9 Purchased Power					12,859		12,859
10 Sludge Removal					5,400		5,400
11 Chemicals					7,187		7,187
12 Materials and Supplies					2,446		2,446
13 Office Supplies and Expense					20,135		20,135
14 Contractual Services - Accounting					1,920		1,920
15 Contractual Services - Professional					-		-
16 Contractual Services - Maintenance					46,650		46,650
17 Contractual Services - Other					14,527		14,527
18 Water Testing					1,742		1,742
19 Rents		1,742			1,500		1,500
20 Transportation Expenses					2,186		2,186
21 Insurance - General Liability					-		-
22 Insurance - Health and Life					-		-
23 Reg. Comm. Exp. - Other					16,667		16,667
24 Reg. Comm. Exp. - Rate Case					3,641		3,641
25 Miscellaneous Expense			(7,145)		-		-
26 Bad Debt Expense					45,791		45,791
27 Deprec. and Amort. Exp.					-		-
28 Taxes Other Than Income					4,071	2,017	6,088
29 Property Taxes					-		-
30 Income Tax				13,545	-		-
31							
32 Total Operating Expenses	\$ (207)	\$ 1,742	\$ (7,145)	\$ 13,545	\$ 212,527	\$ 2,017	\$ 214,544
33 Operating Income	\$ 207	\$ (1,742)	\$ 7,145	\$ (13,545)	\$ (93,063)	\$ 175,238	\$ 82,175
34 Other Income (Expense)							
35 Interest Income					-		-
36 Other Income					-		-
37 Interest Expense					-		-
38 Other Expense					-		-
39							
40 Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41 Net Profit (Loss)	\$ 207	\$ (1,742)	\$ 7,145	\$ (13,545)	\$ (93,063)	\$ 175,238	\$ 82,175
42							
43 SUPPORTING SCHEDULES:							
44 C-2							
45 E-2							

RECAP SCHEDULES:
C-1, page 1

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Settlement Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 119,464	\$ 119,464
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	238,928	238,928
4	Company Recommended Revenue	119,464	296,719
5	Subtotal (Line 4 + Line 5)	358,391	535,646
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	119,464	178,549
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	238,928	357,098
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	421	421
12	Full Cash Value (Line 9 + Line 10 - Line 11)	238,507	356,677
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	44,124	65,985
15	Composite Property Tax Rate - Obtained from ADOR	9.2262%	9.2262%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,071	\$ 6,088
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 4,071	
19	Adjusted Test Year Property Taxes	\$ 4,476	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (405)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 6,088
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 4,071
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 2,017
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 2,017
27	Increase in Revenue Requirement		\$ 177,255
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.13789%
29			
30			
31			
32			
33			
34			
35			

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Settlement Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line
No.

1

2

3 Estimated Rate Case Expense

\$ 50,000

4

5 Estimated Amortization Period in Years

3

6

7 Annual Rate Case Expense

\$ 16,667

8

9 Adjusted Test Year Rate Case Expense

\$ 10,000

10

11 Increase(decrease) Rate Case Expense

\$ 6,667

12

13 Adjustment to Revenue and/or Expense

\$ 6,667

14

15

16 Reference

17 Testimony

18

19

20

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Settlement Schedule C-2
Page 5
Witness: Bourassa

Revenue Adjustment

Line
No.

1		
2	Revenue Adjustment	\$ (1,820)
3		
4		
5		
6	Total Revenue from Annualization	<u>\$ (1,820)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>\$ (1,820)</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment # 1	
13		
14		
15		
16		
17		
18		
19		
20		

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Settlement Schedule C-2
Page 6
Witness: Bourassa

Water Testing

Line

No.

1		
2	Staff Recommended Water Testing Expense	\$ 14,527
3		
4	Adjuste Test Year Water Testing Expense	\$ 5,669
5		
6	Adjustment to purchased power expense (rounded)	<u>\$ 8,858</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>8,858</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment #3	
13		
14		
15		
16		
17		
18		
19		
20		

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Settlement Schedule C-2
Page 7
Witness: Bourassa

Auto Expense

Line
No.

1

2

3

Test Year Auto Expense

\$ 1,500

4

5

Staff Recommended Auto Expense

3,250

6

7

Adjustment to Revenues

\$ (1,750)

8

9

10

Adjustment to Revenue and/or Expense

(1,750)

11

12

Reference

13

Staff Adjustment #3

14

15

16

17

18

19

20

21

22

23

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Settlement Schedule C-2
Page 8
Witness: Bourassa

Telephone Expense

Line
No.

1		
2	Staff Recommended Telephone Expense	\$ 2,366
3		
4	Adjusted Test Year Telephone Expense	4,732
5		
6	Adjustment to Revenues	<u>\$ (2,366)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>\$ (2,366)</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment #4	
13		
14		
15		
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20		

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Settlement Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	0.000%
2		
3	Property Taxes	1.138%
4		
5		
6	Total Tax Percentage	1.138%
7		
8	Operating Income % = 100% - Tax Percentage	98.862%
9		
10		
11		
12		
13	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor	
14		1.0115
15		
16		
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23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
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Utility Source, LLC - Wastewater Division
Revenue Summary
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	3/4 Inch	Residential	\$ 92,479	\$ 258,209	\$ 165,730	179.21%	77.41%	87.02%
2	3/4 Inch	Commercial	114	660	546	477.77%	0.10%	0.22%
3	2 Inch	Commercial	23,698	33,443	9,744	41.12%	19.84%	11.27%
4								
5								
6								
7								
8								
9	Subtotals of Revenues		\$ 116,291	\$ 292,312	\$ 176,020	151.36%	97.34%	98.51%
10	Revenue Annualizations:							
11	3/4 Inch	Residential	\$ 173	\$ 663	\$ 489	282.17%	0.15%	0.22%
12								
13								
14								
15								
16	Subtotal Revenue Annualization		173	663	489	282.17%	0.15%	0.55%
17								
18	Total Revenues w/ Annualization		\$ 116,465	\$ 292,974	\$ 176,510	151.56%	97.49%	98.74%
19	Misc Revenues, as adjusted		3,441	3,441	-	0.00%	2.88%	1.16%
20	Reconciling Amount		(442)	303	745	-168.55%	-0.37%	0.10%
21	Total Revenues		\$ 119,464	\$ 296,718	\$ 177,255	148.38%	100.00%	100.00%
22								
23								

Utility Source, LLC - Wastewater Division
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Consumption	Average Bill		Proposed Increase		Percent of Customers
		Present Rates		Proposed Rates	Dollar Amount	Percent Amount		
1	3/4 Inch Residential	320	4,123	\$ 24.08	\$ 67.22	\$ 43.15	179.21%	98.77%
2	3/4 Inch Commercial	1	1,667	9.52	55.00	45.48	477.77%	0.31%
3	2 Inch Commercial	3	115,286	658.29	928.96	270.67	41.12%	0.93%
4								
5								
6								
7								
8								
9								
10								
11								
12	Totals	<u>324</u>						<u>100.00%</u>
13								
14	Actual Year End Number of Customers:	<u>325</u>						
15								
16								
17								
18								
19								

Utility Source, LLC - Wastewater Division
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-3
Page 1
Witness: Bourassa

Line No.	Customer Classification and Meter Size (Residential, Commercial)	Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates
1	Monthly Usage Charge for:				
2	5/8 x 3/4 Inch	\$ -	\$ 37.00	\$ 42.00	\$ 47.00
3	3/4 Inch	-	37.00	42.00	47.00
4	1 Inch	-	92.50	105.00	117.50
5	1 1/2 Inch	-	185.00	210.00	235.00
6	2 Inch	-	296.00	336.00	376.00
7	3 Inch	-	592.00	672.00	752.00
8	4 Inch	-	925.00	1,050.00	1,175.00
9	6 Inch	-	1,850.00	2,100.00	2,350.00
10					
11	<u>Gallons In Minimum</u>				
12	All Meter Sizes	-	-	-	-
13					
14	<u>Rate per 1,000 Gallons of Water Usage</u>				
15	Residential	\$ 5.84	\$ 3.87	\$ 4.38	\$ 4.91
16	Commercial and Industrial				
17	Car washes, laundromats, Commercial, Manufacturing	5.71	3.79	4.28	4.80
18	Hotels, Motels	7.66	5.08	5.75	6.43
19	Restaurarants	9.46	6.27	7.10	7.95
20	Industrial Laundries	8.39	5.56	6.29	7.05
21	Waste haulers	171.20	113.51	128.40	143.81
22	Restuarant Grease	149.80	99.32	112.35	125.83
23	Treatment Plant Sludge	171.20	113.51	128.40	143.81
24	Mud Sump Waste	535.00	354.71	401.25	449.40
25					
26					
27					
28					
29					
30					

Utility Source, LLC - Wastewater Division
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
Settlement Schedule H-3
Page 3
Witness: Bourassa

Line
No.

1
2 Other Charges:

3		
4		
5	Establishment	\$ 20.00
6	Establishment (After Hours)	\$ 40.00
7	Reconnection (Delinquent)	\$ 50.00
8	Reconnection (Delinquent and After hours)	\$ 40.00
9	Minimum Deposit Requirement	PER RULE
10	Deposit Interest	PER RULE
11	Re-establishment (Within 12 months)	PER RULE
12	NSF Check	\$ 20.00
13	Deferred Payment, per month	PER RULE
14	Late Charge	PER RULE
15	After hours service charge	\$ 40.00
16		
17		
18		
19		
20		

\$ 20.00
*Removed
\$ 50.00
*Removed
PER RULE
PER RULE
PER RULE
PER RULE
\$ 20.00
PER RULE
PER RULE
\$ 40.00

21
22
23
24 * After hours service charge will apply when service requested by customer after hours.

Utility Source, LLC - Wastewater Division - Phase 1

Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2012

Exhibit
Proposed Settlement Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	4,123 \$	52.96 \$	28.89	119.98%	98.77%
2	3/4 Inch Commercial	1	1,667	43.31	33.79	355.01%	0.31%
3	2 Inch Commercial	3	115,286	732.44	74.16	11.27%	0.93%
4							
5							
6							
7							
8							
9							
10							
11							
12	Totals	324					
13							
14	Actual Year End Number of Customers:	325					
15							
16							
17							
18							
19							

100.00%

Utility Source, LLC - Wastewater Division - Phase 1
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2012

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Bill		Median Consumption	Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates		Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	20.44 \$	50.55 \$	3,500	30.11	147.32%	98.77%
2	3/4 Inch Commercial	1	8.57 \$	42.68 \$	1,500	34.11	398.29%	0.31%
3	2 Inch Commercial	3	371.15	542.07	65,000	170.92	46.05%	0.93%
4								
5								
6								
7								
8								
9								
10								
11	Totals	324						100.00%
12								
13	Actual Year End Number							
14	of Customers:	325						
15								
16								
17								
18								

100.00%

Utility Source, LLC - Wastewater Division - Phase 2

Exhibit

Analysis of Revenue by Detailed Class

Proposed Settlement Schedule H-2

Test Year Ended December 31, 2012

Page 1

Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Bill		Proposed Increase		Percent of Customers	
			Average Consumption	Present Rates	Proposed Rates	Dollar Amount		Percent Amount
1	3/4 Inch Residential	320	4,123	\$ 24.08	\$ 60.06	35.98	149.44%	98.77%
2	3/4 Inch Commercial	1	1,667	9.52	49.14	39.62	416.24%	0.31%
3	2 Inch Commercial	3	115,286	658.29	829.71	171.43	26.04%	0.93%
4								
5								
6								
7								
8								
9								
10								
11								
12	Totals	324						100.00%
13								
14	Actual Year End Number of Customers:	325						
15								
16								
17								
18								
19								

100.00%

Exhibit
Proposed Settlement Schedule H-2
Page 2
Witness: Bourassa

Analysis of Revenue by Detailed Class Test Year Ended December 31, 2012

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Consumption	Present Rates	Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	3/4 Inch Residential	320	3,500	\$ 20.44	\$ 57.33	\$ 36.89	180.48%	98.77%
2	3/4 Inch Commercial	1	1,500	\$ 8.57	48.42	39.86	465.37%	0.31%
3	2 Inch Commercial	3	65,000	371.15	614.36	243.21	65.53%	0.93%
10	Totals	324						100.00%
13	Actual Year End Number of Customers:	325						

Utility Source, LLC - Wastewater Division - Phase 3
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Average Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	\$ 24.08	\$ 67.22	43.15	179.21%	98.77%
2	3/4 Inch Commercial	1	9.52	55.00	45.48	477.77%	0.31%
3	2 Inch Commercial	3	658.29	928.96	270.67	41.12%	0.93%
4							
5							
6							
7							
8							
9							
10							
11							
12	Totals	324					100.00%
13							
14	Actual Year End Number						
15	of Customers:	325					
16							
17							
18							
19							

Utility Source, LLC - Wastewater Division - Phase 3
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2012	Median Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	3/4 Inch Residential	320	\$ 20.44	\$ 64.17	\$ 43.73	213.94%	98.77%
2	3/4 Inch Commercial	1	\$ 8.57	\$ 54.19	45.63	532.74%	0.31%
3	2 Inch Commercial	3	371.15	687.77	316.62	85.31%	0.93%
4							
5							
6							
7							
8							
9							
10							
11	Totals	324					
12							
13	Actual Year End Number of Customers:	325					
14							
15							
16							
17							
18							

100.00%

9
RUCO-9

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
CHAIRMAN
BOB STUMP
COMMISSIONER
BOB BURNS
COMMISSIONER
DOUG LITTLE
COMMISSIONER
TOM FORESE
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS WATER AND
WASTEWATER RATES AND CHARGES
FOR UTILITY SERVICE BASED THEREON.

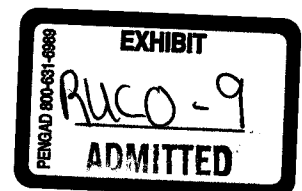
Docket No. WS-04235A-13-0331

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Testimony of Robert Mease in support of the Settlement Agreement, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 5th day of November, 2015.

Dan Pozefsky for
Daniel W. Pozefsky
Chief Counsel



1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 5th day
3 of November, 2015 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

8 COPIES of the foregoing hand delivered/
9 mailed this 5th day of November, 2015 to:

10 Scott Hesla
11 Administrative Law Judge
12 Hearing Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Wes Van Cleve
17 Matthew Laudone
18 Legal Division
19 Arizona Corporation Commission
20 1200 West Washington
21 Phoenix, Arizona 85007

22 Thomas Broderick, Director
23 Utilities Division
24 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Steve Wene
Moyes Sellers & Hendricks Ltd.
1850 N. Central Ave., Suite 1100
Phoenix, Arizona 85004
Attorneys for Utility Source, LLC

Terry Fallon
4561 Bellemont Springs Dr.
Bellemont, Arizona 86015

Erik Nielsen
4680 N. Alpine Dr.
P.O. Box 16020
Bellemont, Arizona 86015

By Cheryl Fraulob
Cheryl Fraulob

UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331

DIRECT TESTIMONY
OF
ROBERT B. MEASE
IN SUPPORT OF THE
SETTLEMENT AGREEMENT

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

NOVEMBER 5, 2015

Table of Contents

1		
2	EXECUTIVE SUMMARY	i
3	INTRODUCTION	1
4	THE SETTLEMENT PROCESS	2
5	SUMMARY OF TESTIMONY	3
6	SETTLEMENT PROVISIONS	4
7	PUBLIC INTEREST	5
8	AREAS OF IMPORTANCE	5
9	ATTACHMENTS	7
10		

EXECUTIVE SUMMARY

The Arizona Residential Utility Consumer Office ("RUCO") presents the direct testimony of Robert B. Mease, Chief of Accounting and Rates, in support of the Proposed Settlement Agreement ("Settlement" or "Agreement") on Utility Source, LLC's ("Utility Source") request for a permanent rate increase. Mr. Mease recommends that the Arizona Corporation Commission adopt the Proposed Settlement Agreement for the following reasons:

The Proposed Settlement Agreement reflects an outcome that is fair to both the ratepayer and Utility Source and is in the public interest.

The Proposed Settlement Agreement is a comprehensive settlement agreement. Its terms settle a wide range of issues that were of interest to the parties.

RUCO supports the Proposed Settlement Agreement in its entirety because it contains numerous benefits to the consumer which will be discussed in Mr. Mease's testimony.

The Proposed Settlement Agreement resolves a couple areas of importance to RUCO in the underlying rate case including: 1) phasing in rates to mitigate impact on residential consumers, 2) Standpipe revenues to be reflected in Utility Source's Rate Base, 3) it excludes income tax pass-through liability, thus, lowering gross revenue conversion factor, and 4) it segregates expenses between owner and company through proper accounting principles. These issues were addressed satisfactorily in the Proposed Settlement Agreement and will be explained more fully in Mr. Mease's testimony.

INTRODUCTION

Q. Please state your name, occupation and business address for the record.

A. My name Robert Mease. I am Chief of Accounting and Rates for the Arizona Residential Utility Consumer Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, Arizona 85007.

Q. Please state your background and qualifications in the utility regulation field.

A. I joined RUCO in October of 2011. (See Attachment 1 for rate cases that I have participated in since joining RUCO). I graduated from Morris Harvey College in Charleston, WV and attended Kanawha Valley School of Graduate Studies. I am a Certified Public Accountant and currently licensed in the state of West Virginia, as well as a Certified Rate of Return Analyst. My years of work experience include serving as Vice President and Controller of Energy West, Inc. a public utility and energy company located in Great Falls, Montana. While with Energy West I had responsibility for all utility filings and participated in several rate case filings on behalf of the utility. As Energy West was a publicly traded company listed on the NASDAQ Exchange I also had responsibility for all filings with the Securities and Exchange Commission.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to explain RUCO's support of the Utility
3 Source Proposed Settlement Agreement ("Agreement").
4

5 **Q. Have you participated in other settlement negotiations?**

6 A. Yes. I have participated in settlement negotiations in other matters that
7 have come before the Arizona Corporation Commission ("ACC" or
8 "Commission"). The majority of these negotiations have resulted in
9 reaching an accord with the utility and the other settling parties, leading to
10 the signing and support of a settlement agreement.
11

12 **THE SETTLEMENT PROCESS**

13 **Q. Was the negotiation process that resulted in the Settlement**
14 **Agreement a proper and fair process?**

15 A. Yes. The Agreement is the result of numerous hours of negotiation and a
16 willingness among the parties to compromise. The negotiations were
17 conducted in a fair and reasonable way that allowed each party the
18 opportunity to participate. All interveners had an opportunity to participate
19 in every step of the negotiation. Notice for each scheduled meeting was
20 sent to all parties electronically. Persons were able to participate via
21 teleconference, if necessary. Furthermore, all parties were allowed to
22 express their positions fully.
23

1 **Q. Did all the parties sign the Agreement?**

2 A. Yes. All parties in this case have agreed to this Settlement.

3

4 **Q. Why is a negotiated settlement process an appropriate way to**
5 **resolve this matter?**

6 A. By its very nature, a settlement finds middle ground that the parties can
7 support. All parties that participated in the settlement talks were
8 sophisticated parties who participated admirably in the ACC's regulatory
9 processes.

10

11 Settlement negotiations began only after each party had the opportunity
12 to analyze Utility Source's Application, file its direct testimony and read the
13 direct testimony of other Interveners. Of course, the Agreement in no way
14 eliminates the ACC's constitutional right and duty to review this matter and
15 to make its own determination whether the Agreement is truly balanced
16 and the rates are just and reasonable.

17

18 **SUMMARY OF TESTIMONY**

19 **Q. Please summarize your testimony.**

20 A. The Agreement reflects an outcome that is fair to both the consumer and
21 Utility Source and is in the public interest. Furthermore, this is a
22 comprehensive agreement. Its terms settle a wide range of issues that
23 were of interest to the parties.

1 RUCO supports the Agreement in its entirety because it contains
2 numerous benefits to the consumer. Those benefits include; 1) phasing in
3 rates to mitigate impact on residential consumers, 2) Standpipe revenues
4 to be reflected in Utility Source's Rate Base, 3) exclude income tax pass-
5 through liability thus lowering the gross revenue conversion factor, and 4)
6 segregate expenses between owner and company through proper
7 accounting principles. These benefits are addressed satisfactorily in the
8 Agreement and will be explained later in my testimony
9

10 SETTLEMENT PROVISIONS

11 **Q. In summary, what are the benefits to the residential consumer?**

12 **A.** Among the more significant benefits to the residential consumer:
13

- 14 • Phase-in rate increases to mitigate impact on consumer – Company
15 agrees to waive the carrying costs associated with the phase-in.
16 (Sections 2.6 & 3.6)
- 17 • Lowering overall Requested Percentage Increase in Revenue from
18 125% down to 60% for the water division, resulting in lower rates for
19 residential consumers, by including Standpipe revenues in Rate Base
20 (Section 2.1), and by eliminating income tax pass-through which
21 reduces Gross Revenue Conversion Factor. (Sections 2.4 & 3.4)
- 22 • Lowering overall Requested Percentage Increase in Revenue
23 approximately 11% for the wastewater division from what was

recommended in the ROO, resulting in lower rates for residential consumers.

- Segregation of expenses between owner and company through proper accounting principles. (Section 4.9)
- Water system analysis to be completed with corrective actions taken to identify and correct issues identified in the water system. (Section 4.2)

PUBLIC INTEREST

Q. How is the public interest satisfied by the Agreement?

A. At the most fundamental level, the Agreement satisfies the public interest from RUCO's perspective in that it provides favorable terms and protections for residential consumers as defined above. The Agreement also satisfies the public interest by providing a fair and balanced approach to addressing the Company's concerns on required costs and revenue.

AREAS OF IMPORTANCE

Q. You mentioned a couple areas of importance that are critical for RUCO to sign on to the Agreement. Would you like to address them?

A. Yes. RUCO has consistently maintained that allowing entities with pass-through taxation to collect income tax from consumer rate payers is not sound policy. The Agreement addresses RUCO's concerns and RUCO supports it fully. Additionally, as Commissioner Forese pointed out at Open Meeting, accounting measures need to be put in place to segregate

1 the duties and expenses between the owner and company. This was
2 readily agreed upon by all parties and included in the Agreement. This
3 provision will protect residential consumers moving forward. Finally, this
4 Agreement is satisfactory to the two ratepayer intervenors and appears to
5 be acceptable to the impacted community which is always an important
6 consideration of RUCO.

7
8 **Q. Regarding these four areas were there any that were more critical to**
9 **RUCO's becoming a signatory?**

10 A. Yes. The income tax pass-through and following accepted accounting
11 principles needed to be resolved before RUCO could sign on and they
12 were in the Agreement.

13
14 **Q. Does this conclude your testimony on the Agreement?**

15 A. Yes it does.
16
17
18
19
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21
22

1 **ATTACHMENTS**

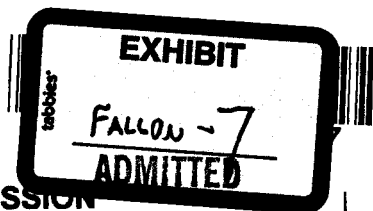
2 **Attachment 1**

3 **Robert B. Mease – Rate Case / Regulatory Participation**

4	<u>Utility Company</u>	<u>Docket No.</u>
5	Arizona Water Company (Eastern Group)	W-01445A-11-0310
6	Pima Utility Company	W-02199A-11-0329 et al.
7	Tucson Electric Power Company	E-01933A-12-0291
8	Arizona Water Company (Northern Group)	W-01445A-12-0348
9	UNS Electric	E-04204A-12-0504
10	Global Water et al.	W-01212A-12-0309
11	LPSCO	SW-01428A-13-0042 et al.
12	Johnson Utilities	WS-02987A-13-0477
13	Johnson Utilities	WS-02987A-08-0180
14	APS	E-01345A-11-0224
15	EPCOR Water Arizona, Inc.	WS-01303A-09-0343
16	Utility Source, LLC	WS-04235A-13-0331
17	EPCOR Water Arizona, Inc.	WS-01303A-14-0010
18	EPCOR Water	W-01732A-15-0131

ORIGINAL

OPEN MEETING AGENDA ITEM



BEFORE THE ARIZONA CORPORATION COMMISSION
RECEIVED

COMMISSIONERS

BOB STUMP - CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2015 NOV -3 A 10:22

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

NOTICE OF FILING

Arizona Corporation Commission
DOCKETED

NOV 6 3 2015

DOCKETED BY

Respectfully Submitted this 2nd day of November, 2015.

Terry Fallon
P.O. Box 16104
Bellemont, Az
86015
928-774-4816

Original and thirteen (13) copies of
the foregoing filed this 2nd day of
November, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 **Copy of the foregoing emailed this**
2 **2nd day of November, 2015, to:**

3 Steve Wene, Esq.
4 MOYES SELLERS & HENDRICKS, LTD
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004
7 swene@law-msh.com
8 Attorneys for Utility Source, LLC

9 Daniel Pozefsky, Chief Counsel
10 RESIDENTIAL UTILITY CONSUMER OFFICE
11 1110 West Washington Street, Suite 220
12 Phoenix, Arizona 85007

13 Erik Nielsen
14 4680 North Alpine Drive
15 P.O. Box 16020
16 Bellemont, Arizona 86015

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1 Terry Fallon, an intervener in the above referenced case, supports the proposed settlement
2 Agreement (Agreement) reached between Utility Source, LLC; RUCO; Staff of the Arizona
3 Corporation Commission, and Erik Nielsen (Intervener) collectively referred to as the
4 "Signatory Parties".

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EXHIBIT

NIELSEN-18
ADMITTED

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

2015 NOV -5 P 1:39

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

SUSAN BITTER SMITH
BOB BURNS
BOB STUMP
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

**SETTLEMENT TESTIMONY OF ERIK
NIELSEN/INTERVENOR**

Arizona Corporation Commission

DOCKETED

NOV 05 2015

INTRODUCTION

Q. Please state your name and role in this matter.

A. Erik Nielsen. I am a customer of Utility Source in Bellemont, AZ and an intervenor in this case. I have undergraduate degrees in Economics and Political Science from the University of California, San Diego, an MS in Public Policy from Rutgers University and a PhD in Natural Resources from the University of Idaho. I have worked in the private sector as a consultant on social and economic impacts of resource development and am currently an Associate Professor of Environmental Science and Policy in the School of Earth Sciences and Environmental Sustainability at Northern Arizona University.

Q. What is the purpose of your Testimony?

To explain my endorsement of the Settlement Agreement reached between Utility Source L.L.C. and the other parties involved in this rate case.

Q. Why do you think this overall agreement is in the public interest?

This agreement reduced the overall revenue requirement increase for the Company from \$190,043 in the ROO to \$177,255 (wastewater division) and \$206,184 in the ROO to 94,777 (water division). While these are still significant increases of 148% for the wastewater division and 28% for the water division, and 60% overall across both divisions, I think this settlement helps to ameliorate the impacts to consumers given the complex and unique history of this case. Overall at the end of the phase in it will increase the average residential customer (4,123 gallons) combined bill from \$59.02 to \$124.55 or 111%. I support the revenue requirements

1 for the company that decrease the overall impact on residential customers from the ROO. The overall rate
2 increase is more reasonable for customers than the ROO and is a result primarily of the imputation of the
3 stand pipe revenue and associated costs to the test year base on earnings from the first year of service. The
4 rate design also allows Utility Source to recover more of their revenue requirement from monthly minimums
5 on the water and wastewater accounts and thereby providing them more stability which we hope will be
6 good for the long term sustainability of the company and quality service. While these monthly minimums
7 may decrease the ability of customers to conserve and reduce use of this scarce resource as well as their
8 monthly bills, it will reduce our overall bill.

8 **Q. Why do you think the agreement for the water division is in the public interest?**

9 The settlement revenue requirement for the water division is \$428,723 representing an increase of \$94,774
10 or a 28.38% increase overall. For the median residential water user (3,500 gallons) at the end of the three
11 year phase in this would increase the monthly rate from \$35.30 to \$57.27 or an increase of 62%. For the
12 average water user (4,123 gallons) this would increase the monthly rate from \$38.58 to \$60.38 or an increase
13 of 56.52%.

14 The negotiated financial settlement reduces the impact on residential customers in three ways. First it
15 recognizes the revenue generated by the standpipe operations, and imputing that revenue and new plant for
16 the test year reduces the revenue requirement for the water division customers. Including these revenues
17 decreases the residential median increase from 91.83% in the ROO to 62% in the settlement agreement.
18 Second, the phased in approach to the rate increase will ease the rate shock over three years and
19 presumably will allow planned residential developments to be built over the next three years before the next
20 rate case. If these 300 plus customers come on line I would anticipate a reduction in average residential
21 rates and the ability of the company to request hookup fees to defer additional costs required for
22 infrastructure. Finally, increasing the monthly use fee provides the company with revenue stability while still
23 allowing consumers some ability to ameliorate these rate increases through conservation measures.

23 **Q. Why do you believe the settlement agreement for the waste water division is in the public interest?**

24 A. The settlement revenue requirement for the wastewater division is \$296,719 representing an increase of
25 \$177,255 or a 148.38% increase overall. For the median residential wastewater user (3,500 gallons) at the
26 end of the phase in would increase the monthly rates from 20.44 to 64.17 or an increase of 213.94%. For the
27 average water user (4,123 gallons) this would increase the monthly rate from \$24.08 to \$67.22 or an increase
28 of 179%.

1 The financial settlement agreement reduced the company's revenue increase in revenue from \$190,043
2 (ROO) to \$177,255 and allowed the company to collect approximately 65% of the revenue requirement
3 through fixed monthly service charges. The rate increase is less than it would otherwise be so in the ROO so
4 it is a more reasonable rate. The phased in approach helps to ameliorate the rate shock for customers and
5 allows for future development to help offset these increases by the next rate case.

6 **Q. What do you think about the date for the next test year and rate case?**

7 A. Given the potential for significant development within the Company's CC&N over the next three years, I
8 believe this earlier rate case is in the public interest to assure that rates can be adjusted accordingly and I
9 hope that the Company would consider requesting hook-up fees for these new customers to offset any
10 additional infrastructure costs.

11 **Q. What do you think about the post-decision company duties outlined in the settlement agreement?**

12 A. I believe that the post settlement provisions in the settlement are commonsense approaches to deal with
13 the concerns about system reliability and security.

14 **Q. Does this conclude your testimony?**

15 A. Yes

16
17 RESPECTFULLY SUBMITTED this 4th day of November, 2015.

18
19 

20 Erik Nielsen
21 4680 N. Alpine Drive
22 P.O. Box 16020
23 Bellemont, Arizona 85015

24 **Original and thirteen (13) copies of
the foregoing filed this 4th day of
November, 2015, with:**

25 Docket Control
26 Arizona Corporation Commission
27 1200 West Washington Street
28 Phoenix, Arizona 85007

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Copy of the foregoing mailed this
4th day of November, 2015, to:

Steve Wene, Esq.
MOYES SELLERS & HENDRICKS, LTD.
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004
swene@law-msh.com
Attorneys for Utility Source, LLC

Daniel Pozefsky
Residential Utility Consumer Office
1110 West Washington St., Suite 220
Phoenix, Arizona 85007

Terry Fallon
4561 Bellemont Springs Drive
Bellemont, Arizona 85015

ORIGINAL

OPEN MEETING AGENDA IT

4-8

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Utility Source, L.L.C.

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2015 NOV -5 P 3:57

AZ CORP COMMISSION
DOCKET CONTROL


BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER-SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

Arizona Corporation Commission
DOCKETED

NOV 05 2015

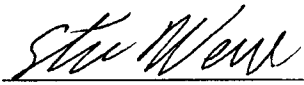
DOCKETED BY 

IN THE MATTER OF THE APPLICATION
OF UTILITY SOURCE, LLC, AN
ARIZONA CORPORATION, FOR A
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OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: WS-04235A-13-0331

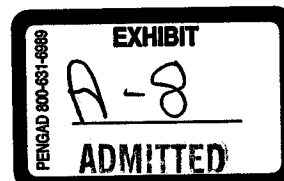
**NOTICE OF FILING TESTIMONY
IN SUPPORT OF SETTLEMENT**

Utility Source, L.L.C. ("Company"), hereby files the testimony of Tom Bourassa
in support of the settlement in this matter.


Steve Wene

Original and thirteen (13) copies
of the foregoing filed this
5th day of November, 2015 with:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



1
2 Copies of the foregoing mailed
3 this 5th day of November, 2015 to:

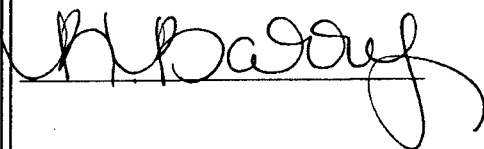
4 Wesley Van Cleve
5 Legal Division
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Daniel W. Pozefsky
10 Chief Counsel
11 Residential Utility Consumer Office
12 1110 West Washington Street
13 Suite 220
14 Phoenix, Arizona 85007

15 Erik Nielsen
16 4680 N. Alpine Drive
17 P.O. Box 16020
18 Bellemont, Arizona 86015

19 Terry Fallon
20 4561 Bellemont Springs Drive
21 Bellemont, Arizona 86015

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BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET NO: WS-04235A-13-0331

**TESTIMONY IN SUPPORT OF SETTLEMENT BY
THOMAS J. BOURASSA**

November 3, 2015

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
3 Phoenix, Arizona 85029.

4 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

5 A. I am testifying on behalf of the applicant, Utility Source, LLC ("USLLC" or the
6 "Company"). USLLC is seeking changes in its rates and charges for utility service
7 in its certificated service area, which area is located in Yavapai County.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?

9 A. Yes, I testified in support of the initial application in this docket, focusing on rate
10 base, income statement and rate design, cost of capital, and other financial matters.

11 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

12 A. To support the settlement in this case.

13 Q. IS THE PROPOSED SETTLEMENT IN THE PUBLIC INTEREST?

14 A. Yes.

15 Q. DESCRIBE THE RELEVANT PROVISIONS OF THE SETTLEMENT?

16 A. Regarding the water division, the Parties agreed that the Company has a fair value
17 rate base of \$1,979,887. The rate base increased from \$1,499,779 due to the
18 inclusion of plant associated with the standpipe water distribution facility as
19 proposed by Staff. To mitigate the impact to its customers, Utility Source agreed
20 to impute \$127,763 of revenue from the standpipe operation into the revenue
21 requirement. Consequently, adjusted test year revenues are \$333,949. To mitigate
22 the impact on customers, the Company will phase-in rates in three stages and will
23 forgo lost revenues resulting from the phase-in.

24 Regarding the wastewater division, the Parties agree that the Company has a
25 fair value rate base of \$825,880, which is the same as proposed in the
26

1 Recommended Opinion and Order ("ROO"). The Company's adjusted test year
2 revenues are \$119,464. Utility Source has a revenue requirement of \$296,719.
3 Similar to the water division, the Company agreed to a wastewater division phase-
4 in as well.

5 **Q. COMPARE THE SETTLEMENT TO THE ROO AS IT RELATES TO THE**
6 **IMPACT ON THE TYPICAL RESIDENTIAL CUSTOMER.**

7 A. Under the water rates recommended in the ROO, the typical residential 3/4 -inch
8 bill with a median usage of 3,500 gallons would increase to \$67.72. In contrast, in
9 the three phases of the Settlement, the resident's bill would increase from \$35.30 to
10 \$45.60, then to \$51.37, and finally to \$57.27.

11 Meanwhile, under the wastewater rates recommended in the ROO, the
12 typical residential 3/4 -inch bill with a median usage of 3,500 gallons would
13 increase to \$62.30. During the three phases, the typical residential 3/4-inch bill with
14 a median usage for 3,500 gallons of water would increase from \$20.44 to \$50.55,
15 then to \$57.33, and finally to \$64.17. Thus, even after the third year of the phase-
16 in, the typical resident would pay \$8.58 less under the Settlement compared to the
17 ROO.

18 **Q. WHY DID THE COMPANY AGREE TO SUCH A REDUCTION?**

19 A. The Company could not and cannot afford further delay. This case is based upon a
20 2012 test year. It will be nearly 2016 before new rates are in effect. From the start,
21 the evidence in this case has shown that a revenue increase for the Company is
22 necessary and warranted, and the delay has had a significant financial impact on
23 the Company. Under the circumstances, the Company simply could not and cannot
24 afford any further delay in getting new rates.

1 Q. DOES THAT CONCLUDE YOUR TESTIMONY?
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3 A. Yes.
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